

REPORT OF EXAMINER

TO

NEW YORK STATE INSURANCE DEPARTMENT

**COMPLIANCE EXAMINATION OF
MARSH & MCLENNAN COMPANIES, INC., MARSH INC. AND THEIR SUBSIDIARIES AND
AFFILIATES**

RESPECTING

**AGREEMENT AMONG THE ATTORNEY GENERAL OF THE STATE OF NEW YORK, THE
SUPERINTENDENT OF INSURANCE OF THE STATE OF NEW YORK, AND MARSH &
MCLENNAN COMPANIES, INC., MARSH INC. AND THEIR SUBSIDIARIES AND AFFILIATES
DATED JANUARY 30, 2005**

AND

**STIPULATION BETWEEN THE SUPERINTENDENT OF INSURANCE OF THE STATE OF NEW
YORK AND MARSH & MCLENNAN COMPANIES, INC., MARSH INC. AND THEIR
SUBSIDIARIES AND AFFILIATES DATED JANUARY 30, 2005**

MARCH 28, 2008

TABLE OF CONTENTS

I.	OVERVIEW	1
	A. Settlement Agreement.....	1
	B. Amendments to the Settlement Agreement.....	1
	C. Purpose of the Examination	2
II.	BACKGROUND ON MARSH & MCLENNAN COMPANIES, INC., MARSH INC. AND THEIR SUBSIDIARIES AND AFFILIATES	3
III.	PROCEDURES FOR SETTLEMENT FUND DISTRIBUTION	5
	A. Overview.....	5
	B. Company Procedures.....	5
	C. Review and Significant Observations	7
	D. Summary	9
IV.	COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES	10
	A. Overview.....	10
	B. Company Procedures.....	10
	C. Review and Significant Observations	12
	D. Summary	14
V.	COMPLIANCE PROCEDURES – TRAINING	16
	A. Overview.....	16
	B. Company Procedures.....	16
	C. Review and Significant Observations	18
	D. Summary	19
VI.	COMPLIANCE PROCEDURES – ANNUAL DISCLOSURES	20
	A. Disclosure Requirements	20
	B. Company Procedures.....	20
	C. Review and Significant Observations	23
	D. Summary	25
VII.	COMPLIANCE PROCEDURES – COMPLAINTS	26
	A. Overview.....	26
	B. Company Procedures.....	26
	C. Review and Significant Observations	27
	D. Summary	29
VIII.	COMPLIANCE PROCEDURES – COMPLIANCE MONITORING.....	31
	A. Overview.....	31
	B. Company Procedures.....	31
	C. Review and Significant Observations	33
	D. Summary	35

INDEX OF APPENDICES

APPENDIX A: Settlement Agreement

APPENDIX B: Stipulation

APPENDIX C: Amendments to the Settlement Agreement and Stipulation

APPENDIX D: Settlement Fund Distribution Related Documentation
Exhibit 1 – Compensation Formula Approved by Attorney General
Exhibit 2 – Eligibility Letter to Clients

APPENDIX E: Compliance Procedures – Transactional Policies and Procedures
Exhibit 1 – MMC's Transparency Standards

APPENDIX F: Compliance Procedures – Annual Disclosure
Exhibit 1 – Marsh Annual Disclosure Letter
Exhibit 2 – Marsh Consent Form

REFERENCES

	Settlement Agreement	Report of Compliance
Settlement Fund \$850 million	Paragraph 1	Pg 9
Calculate amount for each eligible policyholder.	Paragraph 2	Pgs 8-9
File report with Attorney General & Superintendent with detailed information per eligible policyholder.	Paragraph 2	Pgs 7 & 10
Send approved notice with detailed information to eligible policyholders.	Paragraph 2	Pgs 7 & 9
Eligible policyholders must request distribution.	Paragraph 3	Pg 9
Eligible policyholders must sign release form.	Paragraph 3	Pg 9
Pay participating policyholders share of Settlement Fund.	Paragraph 6	Pg 9
Non-participating policyholders' share of Settlement Fund can be used to satisfy any claims relating to matters covered in Agreement.	Paragraph 3	Pgs 5 & 9
Distribution should not be made from the Settlement Fund to any other policyholder until all participating policyholders have been paid initial amount due.	Paragraph 3	Pgs 5 & 9
Total payments from the Settlement Fund to any non-participating policyholder should not exceed 80% of their original allocated share.	Paragraph 3	Pgs 5 & 9
Settlement Fund shall be distributed as outlined in the Agreement.	Paragraph 6	Pg 9
Settlement Fund cannot be used to pay attorney fees.	Paragraph 4	Pgs 5 & 9
File a report listing all amounts paid from the Settlement Fund.	Paragraph 6	Pgs 7 & 9
Business Reform: Permissible Forms of Compensation	Paragraphs 7-9	Pgs 12-14
Business Reform: Prohibition of Contingent Compensation	Paragraph 10	Pgs 12-14
Business Reform: Prohibition of "Pay-to-Play" Arrangements	Paragraph 11	Pgs 12-14
Business Reform: Prohibition of "Bid-Rigging" Arrangements	Paragraph 12	Pgs 12-14
Business Reform: Prohibition of Reinsurance Brokerage Leveraging	Paragraph 13	Pgs 12-14
Business Reform: Prohibition of Inappropriate Use of Wholesalers	Paragraph 14	Pgs 12-14
Business Reform: Mandated Disclosures to Clients	Paragraph 15	Pgs 12-14
Business Reform: Standards of Conduct and Training	Paragraphs 16-17	Pgs 12-14 & 18-19
Business Reform: Prohibition Against Violating New York Law	Paragraph 18	Pgs 13-14
Business Reform: Limitation on Extraterritorial Effect	Paragraph 19	Pg 14

	Settlement Agreement	Report of Compliance
Establish a Compliance Committee of the Board of Directors.	Paragraph 20	Pg 31
Monitor compliance with the Standards of Conduct regarding compensation from insurers.	Paragraph 20	Pgs 33-35
Quarterly reports to Board on results of monitoring.	Paragraph 20	Pg 35
Report of Complaints to Compliance Committee quarterly and annually to the Superintendent.	Paragraphs 21-22	Pg 29
Annual insurer disclosure report to NYSID.	Paragraph 22	Pgs 24-25
Maintain a record of all client compensation complaints.	Paragraph 21	Pgs 27-29

I. OVERVIEW

The New York State Insurance Department (“the Insurance Department” or “NYSID”) retained the services of RSM McGladrey, Inc. (“RSM McGladrey”) to conduct a review of activities regarding producer compensation practices of Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates (collectively “MMC” or “the Company”). RSM McGladrey was engaged to monitor and test MMC’s compliance with the Settlement Agreement among the Attorney General of the State of New York (the “NYAG” or “Attorney General”), NYSID, and MMC, dated January 30, 2005, as amended (“Settlement Agreement”) and the Stipulation with NYSID, dated January 30, 2005 (the “Stipulation”). A copy of the Settlement Agreement and Stipulation are annexed to this Report at Appendix A and B. Both the Settlement Agreement and Stipulation contain identical provisions regarding the business reforms that are the subject of this examination. For ease of reference, both the Settlement Agreement and Stipulation will be referred to collectively as the Settlement Agreement.

A. Settlement Agreement

1. Investigation by the New York Attorney General and Superintendent of Insurance

The Attorney General and the Superintendent alleged that MMC “unlawfully deceived its clients by (a) steering client’s insurance business to favored insurance companies, and (b) soliciting fictitious bids in order to assure that insurance policies were placed to benefit favored insurers.” Settlement Agreement, p. 1.

2. Terms of the Settlement Agreement

One of the key provisions of the Settlement Agreement is the funding of an account for \$850 million (“Settlement Fund”) for distribution to certain identified policyholders who retained MMC to “place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides.” Procedures for appropriately distributing the settlement funds as well as restrictions on payments to nonparticipating policyholders or for attorney fees were defined in detail in the Settlement Agreement.

Additionally, the Settlement Agreement outlined the following business reforms: a) permissible forms of compensation, b) prohibition of contingent compensation, c) prohibition of “pay-to-play” arrangements, d) prohibition of “bid-rigging” arrangements, e) prohibition of reinsurance brokerage leveraging, f) prohibition of inappropriate use of wholesalers, g) mandated disclosures to clients, h) standards of conduct and training, i) prohibitions against violating New York and federal laws, and j) establishment of compliance and complaint monitoring procedures.

B. Amendments to the Settlement Agreement

Subsequent to the signing of the Settlement Agreement on January 30, 2005, four separate amendments were executed to clarify the application of various provisions of the Settlement Agreement to certain MMC businesses and practices. Key issues addressed in these amendments include the

limitation of the terms of the Settlement Agreement to US domiciled businesses or insured properties within the US, the application of the Settlement Agreement's provisions to former subsidiaries, clarification concerning permissible forms of compensation when the Company acts as a managing general agent or underwriting manager for a carrier, the ability to charge fees to carriers for specific services, and the ability of the NYAG and/or NYSID to modify disclosure and reporting requirements under the Settlement Agreement at their discretion. Copies of the amendments are annexed to this Report at Appendix C.

C. Purpose of the Examination

Company management asserted that procedures were established to implement the Settlement Fund distribution process. In addition, policies and procedures, including discontinuance of the acceptance of contingent commissions, were represented to have been implemented. In addition, MMC reported the adoption of compliance practices and related testing to ensure compliance with new policies and procedures.

Pursuant to the terms of the Settlement Agreement, MMC is subject to annual examination by NYSID for a period of five years beginning in 2005. The purpose of this examination is to validate the assertions of the Company and to perform targeted testing procedures of policies and procedures. The period covered by this examination is from April 1, 2005 to June 30, 2007. The examination was performed in two phases. In May 2006, RSM McGladrey commenced the review of the period from April 1, 2005 to December 31, 2005 and returned in November 2007 to review the period from January 1, 2006 to June 30, 2007. This Report encompasses both reviews. Subsequent to this examination period, MMC implemented additional compliance procedures in connection with the requirements of the Settlement Agreement. These new procedures have not been tested, and will be the subject of the next examination.

II. BACKGROUND ON MARSH & MCLENNAN COMPANIES, INC., MARSH INC. AND THEIR SUBSIDIARIES AND AFFILIATES

MMC traces its roots to 1871 when its predecessor was founded in Chicago. In 1905, Burrows, Marsh & McLennan was formed and a year later it was renamed Marsh & McLennan. Marsh & McLennan Companies, Inc. (MMC) became a public company in 1962 and is currently listed on the New York, Chicago, and London stock exchanges.

Today, MMC is a global professional services firm in the areas of risk, strategy and human capital. Headquartered in New York, MMC is the parent company of Marsh Inc., the insurance broker and risk advisor ("Marsh"); Guy Carpenter & Company, Inc., the risk and reinsurance specialist ("Guy Carpenter"); Kroll Inc., the risk consulting firm; Mercer, the provider of human resources and related financial advice and services; and Oliver Wyman Group, the management consultancy. MMC has more than 55,000 employees worldwide and annual revenue exceeding \$11 billion with clients in more than 100 countries. MMC's consolidated revenue from continuing operations for 2005, 2006 and the first six months of 2007 was \$10.1 billion, \$10.6 billion and \$5.6 billion, respectively.¹ MMC's Risk and Insurance Services segment, which includes Marsh and Guy Carpenter, accounted for more than 45% of MMC's consolidated revenues in 2005, 2006 and the first six months of 2007.

Marsh, Guy Carpenter and Mercer Health & Benefits (Mercer H&B), a subsidiary of Mercer, provide the risk and insurance services that are subject to the Settlement Agreement. Mercer H&B helps clients design and implement employee health care and insured group benefit programs.

Marsh is the world's largest insurance broker with 26,000 employees and annual revenues exceeding \$4 billion. It provides global risk management, risk consulting, insurance broking, financial solutions, captive management and insurance program management services for businesses, public entities, associations, professional services organizations, and private clients. Marsh is organized by client, industry and risk categories to address its clients' needs. For the period of this examination, Marsh's Institutional practice provided services directly to corporations of all sizes, Marsh Advantage America provided services to small corporations through sponsored programs and industry associations, and Marsh's US Consumer practice provided services primarily to private clients either directly or through professional associations.

Guy Carpenter, acquired in 1923, is a reinsurance broker that provides risk management services for clients worldwide. It provides risk assessment analytics, actuarial services and trading relationships with reinsurance markets throughout the world. Client services also include contract management, claims and fiduciary accounting. Run-off services and other reinsurance and insurance administration solutions are offered through Guy Carpenter subsidiaries.

MMC's risk and insurance services operations (Marsh, Guy Carpenter, and Mercer H&B) record compensation through multiple billing systems. Compensation data from these source systems is fed into each company's general ledger. Marsh predominantly uses proprietary billing systems to record transactions at the policy level. Marsh has developed three main billing systems, which are deployed in the US, Canada, Australia and most of Europe. All other locations have implemented locally developed billing applications or use third party software.

¹ Revenue figures reflect the classification of Putnam, a wholly owned subsidiary of MMC until its sale in the third quarter of 2007, as a discontinued operation.

Mercer H&B utilizes an internally developed application that was initially developed as a project-based accounting system, and was enhanced in 2005 to capture policy-level details associated with its health and benefits-related insurance placements.

Guy Carpenter currently has five proprietary billing systems used globally and is in the process of implementing one global billing system.

III. PROCEDURES FOR SETTLEMENT FUND DISTRIBUTION

A. Overview

The Settlement Agreement provided for the establishment of a Settlement Fund of \$850,000,000, payable over four years, for policyholder clients in the U.S. ("Eligible Policyholders") who placed insurance through MMC between January 1, 2001 and December 31, 2004 ("the Relevant Period"). To date, approximately 70,000 Eligible Policyholders have elected to receive an aggregate distribution of approximately \$775 million under the Settlement Fund ("Participating Policyholders"). The remaining amount of approximately \$75 million is to be distributed proportionally to Participating Policyholders, or as otherwise permitted by Paragraph 3 of the Settlement Agreement, on or before the final distribution on June 30, 2008.

The Settlement Agreement requires the following with respect to the distribution of such Settlement Funds:

- MMC shall make the following payments into the Settlement Fund on or before each of the following due dates:
 - \$255,000,000 by June 1, 2005
 - \$255,000,000 by June 1, 2006
 - \$170,000,000 by June 1, 2007
 - \$170,000,000 by June 1, 2008.
- The distribution of the Settlement Fund to eligible U.S. policyholder clients shall be pursuant to a formula (the "Formula") approved by the NYAG.
- On November 1, 2005, June 30, 2006, June 30, 2007 and June 30, 2008, MMC shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Settlement Fund as possible with the monies then available in the Settlement Fund pursuant to the Formula approved by the NYAG.

B. Company Procedures

Determination of Eligibility

Eligible Policyholders were defined as MMC's US policyholder clients who retained MMC to place, renew, consult on or service insurance policies with inception or renewal dates during the Relevant Period where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides. MMC earned an estimated \$1.645 billion of contingent commission revenue from placing, renewing, consulting or servicing eligible insurance policies with inception or renewal dates during the Relevant Period. Eligible participants included US-domiciled policyholder clients and policyholder clients who retained MMC's US offices to place, renew, consult on or service insurance. This population was defined to be the "in scope" population for the determination of the allocation of the Settlement Fund.

In accordance with the Settlement Agreement and the agreed upon Formula, MMC developed a methodology (the "Methodology") to allocate the Settlement Fund to Eligible Policyholders. The Methodology involved the creation of a database ("the Database") containing over four million transactions of client coverage information, premium data and related contingent commission data for each client that met the "in-scope" definition. The Database was used to aggregate information from the systems of the relevant business units within MMC, i.e., Marsh, Mercer H&B, Guy Carpenter and those international operations that (i) recorded contingent commission during the Relevant Period and (ii) have "in-scope" policyholders.

Duties and Responsibilities of Consulting Firms

MMC engaged the forensic accounting groups of Ernst & Young and Kroll Lindquist Avey ("KLA") to separately review the Methodology, test the eligibility of policyholders and the accuracy of the calculations and statements, reconcile the attributed contingent commissions to audited financial statements and perform additional quality assurance assessments of the Settlement Fund allocations.

MMC retained the Garden City Group ("GCG") to administer payments to Participating Policyholders, calculate the payout amount at each required installment using the Formula, oversee the mailing of notices to Eligible Policyholders, distribute the settlement funds to Participating Policyholders, follow-up on mailing issues and maintain all correspondence with the Participating Policyholders.

Formula for Determining Settlement Fund Distribution Amounts

A general formula, approved by the NYAG, was developed to calculate the settlement fund distribution amount for each Eligible Policyholder. Subsequent to the calculation of the Settlement amounts but prior to mailing the settlement offers, the NYAG and NYSID agreed with MMC that Eligible Policyholders whose settlement amount was less than a de minimis amount of US \$10 would not receive a payment. These settlement funds were reallocated to all other Eligible Policyholders on the basis of their relative settlement amounts. The NYAG and NYSID approved the form of the notice that MMC sent to Eligible Policyholders.

Collection of Client, Policy, Premium and Contingent Commission Information

Wherever possible, MMC used information provided by the insurance carriers that paid contingent commissions to identify which clients, policies or premiums contributed to a given contingent commission arrangement. Where carrier information was not available, MMC used premium information maintained in its billing/accounting systems when available, along with a review of contingent commission agreements. The methodology used was as follows:

- MMC conducted a search for, and collected all available contingent commission agreements.
- MMC reviewed each agreement to determine which business units or MMC office(s) were covered by the agreement, the effective dates of the agreement, the lines of business covered by the agreement and any other relevant information.
- To ensure only clients whose premium contributed to a contingent commission were included, MMC removed premiums for lines of business that the carriers did not count towards a contingent commission.
- Once the inapplicable lines of business were removed, the contingent commission was attributed to the remaining premiums.
- This information was entered into the Database.

Compilation Database

The Database contains details of all clients, policies and premiums that contributed to each contingent commission arrangement. Each contingent commission was allocated among the clients on a pro rata basis based on each client's premium volume compared to the total gross premium that contributed to a given contingent commission.

Settlement Allocation

The Database information was grouped by client. As noted above, with the approval of the NYAG, clients with a de minimis total aggregate settlement amount of less than ten dollars were removed and the de minimis amounts reallocated to remaining participants on a pro rata basis in November 2005. Certain adjustments, modifications and alternative methods were performed based on the data available within the various business units. The list of clients and amounts to be offered was submitted to the NYAG. Approval was obtained to proceed with the distributions.

Notification and Acceptance Process

On May 10, 2005, MMC provided the NYAG and NYSID with a complete set of the notices to be sent to Eligible Policyholders. On May 20, 2005, GCG sent approximately 135,000 notices and settlement offers to all Eligible Policyholders. Eligible Policyholders who wished to participate in the Settlement Fund were required to return a release form to GCG. Policyholders eligible to receive approximately 90% of the \$850M settlement fund elected to participate.

Settlement Fund Distribution Process

Participant checks are printed and mailed by GCG's subcontractor, NCP Solutions ("NCP"), which is provided with all check information at the time of distribution. GCG's Quality Assurance Department is involved in the supervision of this process.

Bank reconciliations for the Settlement Fund are performed by GCG's Banking Administrator. The details of the checks distributed are maintained in GCG's database, and details of paid checks are downloaded from the bank on a daily basis. The Settlement Fund is held in a non-interest bearing account.

In the third and fourth quarters of 2007, MMC's internal audit department ("Audit & Control") performed an audit of the Settlement Fund distribution process, which included a recalculation of all payments to date for a sample of participant disbursements, verification of participants that opted out after the first payment, and late opt-in participants. No material issues were identified in their testing.

The Company's external auditor confirms information disclosed by MMC in its financial statements regarding the Settlement Fund (including amount paid in, amount paid out, and the total number of Participating Policyholders) on an annual basis via a confirmation process with GCG.

C. Review and Significant Observations

The Settlement Agreement requires that MMC distribute a total of \$850 million in four installments to its Participating Policyholders in accordance with an approved formula. Examination procedures of inquiry, observation and testing were applied to the MMC Settlement Fund determination of eligibility, offer, acceptance and distribution processes. This part of the examination was intended to evaluate whether MMC and its third party representatives were reasonably diligent, conscientious and comprehensive in implementing the required Settlement Fund distributions.

1. Data Collection and Determination of Eligibility

RSM McGladrey performed an evaluation of the Settlement Fund allocation and distribution procedures through discussions with management and review of KLA's workpapers regarding procedures instituted by MMC to determine the eligible class of policyholders. Statistical sampling was performed by KLA to verify the eligibility of policyholders identified to receive settlement offers. Following independent review and testing by RSM McGladrey, KLA's work was used to conclude that the determination of Eligible Policyholders identified by MMC was reasonable and appropriate. KLA performed extensive testing to validate that the source system transaction data used to identify policyholder level information was reasonably accurate. KLA performed a reconciliation of the total Market Service Revenue ("MSR") that represented contingent commissions to the MMC financial statements (General Ledger and 10K) over the period of 2001 through 2004 to determine that all MSR was identified. No material difference was noted.

RSM McGladrey tested the eligibility of 27 policyholders by testing attributes such as policy effective dates, subject premium, line of business, MSR attributable to the policyholder, and the existence and review of a Market Service Agreement ("MSA") that identified the amount of contingent commissions due MMC.

2. Application of Calculation

RSM McGladrey tested that the terms of the MSA supported MMC's calculation of the distribution, including the MSR percentage used by MMC, lines of business covered/included, the effective and termination dates of the MSA, and other provisions as applicable. RSM McGladrey then recalculated the offer amounts to verify that they were calculated in accordance with the approved formula. RSM McGladrey reviewed the revised distribution amounts (inclusive of de minimus amounts) to establish the accuracy of the distribution amounts to the policyholders and reviewed the policyholder settlement statement to ensure that the calculations were accurately reflected.

The examination also included review of the treatment by MMC of certain issues as they relate to the settlement offer calculations and distributions, ensuring that such treatment was reasonable and consistent with the procedures and methodologies approved by or discussed with NYSID. These included an amount relating to MSR received which could not be attributed to policyholders that was set aside should a policyholder submit a claim for a distribution. MMC also estimated premiums for clients subject to direct billing by insurers.

3. Distribution and Reconciliation Procedures

Allocation of the installment payments to participating policyholders was calculated based upon a percentage of the original offer amount. RSM McGladrey obtained details of each distribution by participant and was able to reconcile the total distribution to the amounts required by the Settlement Agreement. Testing included a review of internal audit work and a sample of 25 client distributions. Offer letters were reviewed to determine that consistent and proper allocations of the Settlement Fund were made. Supporting records reviewed include the releases signed by the clients to verify the classification of policyholders as "participating" or "nonparticipating" and cancelled checks to verify payment. There were certain instances where payments to foreign entities required tax withholding. Based on our review, the allocations and distributions appear to have been properly completed.

Of the \$680 million distributed to date, less than one percent (\$5.5 million) was returned as undeliverable or the distribution check remains uncashed. These amounts are retained in the Settlement Fund to provide for any claims resulting from checks that were expired or lost by the policyholder. RSM McGladrey reviewed GCG's process to follow-up on uncashed or returned distribution checks. After the first distribution, follow-up procedures were limited to participants with checks greater than \$1000 due to the large volume of uncashed checks. This process appears reasonable.

RSM McGladrey reviewed the MMC Internal Audit report on the first three distributions of settlement funds. The report indicated no exceptions were found in the distributions tested, however, it recommended that GCG document its calculation procedures and obtain approval of such procedures from MMC to ensure future distributions are completed in accordance with the Settlement Agreement. We concur with this recommendation.

4. Settlement Fund Sample Testing

As of the date of this Report, MMC was required to pay installments to the Settlement Fund of \$255 million each on June 1, 2005 and 2006 and \$170 million on June 1, 2007. A final installment of \$170 million will be funded on June 1, 2008. The Settlement Agreement required that these amounts be distributed to Participating Policyholders on November 1, 2005 and June 30 of each following year through 2008. RSM McGladrey tested, through examination of Settlement Fund bank statements and review of external auditor workpapers, that the amounts were funded. Payments were each made by the date that they were due.

5. Changes in the Population of Participating Policyholders

Policyholders submitting a release after the original deadline were allowed to participate in the Settlement Fund. The initial distribution to new participants was made at the time of the next scheduled distribution to all participating policyholders and was adjusted such that their initial distribution was proportional to the cumulative distributions to date of existing participants. For a sample of new participants, RSM McGladrey reviewed documentation of the original offer and acceptance and recalculated the distribution payments. No exceptions were noted.

Twenty-one policyholders who initially elected to participate in the Settlement Fund were noted to have been removed from the distribution allocations subsequent to 2005. RSM McGladrey reviewed communications from a sample of former participants verifying their intent to withdraw and noted that two former participants (with settlement offers of less than \$100 each) were removed with no documentation of their (or their representatives') intent to withdraw from the Settlement Fund. Subsequently, GCG and MMC determined that these participants, who could not be located, should be returned to the Settlement Fund, with past and future distributions treated as unclaimed property. This process appears reasonable under the circumstances.

D. Summary

As of the date of this Report, all of the installments of the Settlement Fund distribution required by the Settlement Agreement have been made with more than 99% of the checks presented to the bank. It appears that MMC used a reasonable approach to allocate the Settlement Fund. Based upon testing performed, there was substantial compliance with the terms of the Settlement Agreement.

IV. COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES

A. Overview

The Settlement Agreement includes client disclosure and consent requirements. Specifically, Paragraph 8 of the Settlement Agreement permits MMC to accept commissions only if, before the binding of any policy, MMC discloses and the client consents in writing to all anticipated commissions. Paragraph 14 requires disclosures about MMC's use of wholesalers, and Paragraph 15 mandates that MMC disclose to the client all quotes and indications sought and received and the compensation anticipated by MMC in connection with insurance policy placement, renewal, consultation or servicing. Paragraph 15 also requires MMC to disclose its equity interests in or contractual agreements with insurers.

The Settlement Agreement also includes a number of provisions describing business reforms required of MMC. Paragraph 9 of the Settlement Agreement prohibits MMC from "directly or indirectly accept[ing] any thing of material value from an insurance company including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses." Paragraphs 10 and 11 prohibit MMC from directly or indirectly accepting or requesting any contingent compensation or any compensation for "pay-to-play" arrangements. Paragraph 12 prohibits MMC from knowingly participating in any "bid rigging" arrangements, and Paragraph 13 prohibits MMC from engaging in reinsurance brokerage "leveraging." These prohibitions are generally intended to prevent steering to a particular insurer.

The Settlement Agreement also includes extraterritoriality provisions governing the applicability of the Settlement Agreement to MMC's business outside the US.

B. Company Procedures

Transparency and Disclosure

To address the above requirements, MMC organized a task force in February 2005, comprising senior business leaders, compliance, training, technology and legal personnel (the "Task Force"). The Task Force considered how to apply these requirements to the different business practices within MMC and developed and field-tested MMC's core Transparency Standards for Insurance Transactions (the "Transparency Standards"). The Transparency Standards included MMC's "Policy on Transparency in Providing Client Insurance Services," more detailed procedures on insurance placement and client disclosure and sample disclosure documents for use by MMC employees.

MMC's Transparency Standards were first published and became effective April 1, 2005. Prior to the effective date, they were communicated to MMC employees through a variety of media that included online training, conference calls, websites, written materials and posters.

On November 21, 2005, MMC issued a second edition which incorporated Amendment 1 to the Settlement Agreement (see Appendix C), clarified the application of the Transparency Standards outside the US, clarified the time limit for obtaining the client's written consent in emergency situations, and contained improved disclosure forms. On December 21, 2006, MMC adopted the third edition, incorporating the terms of further amendments to the Settlement Agreement relating to MMC's role as a managing general agent and further clarifying MMC's requirements for insurance transactions placed by employees located outside the US.

In 2006 and 2007, MMC took the following steps to apply the Transparency Standards to its operating companies:

- Marsh implemented a set of "SmartForms" that was linked to all the transparency forms and developed an employee communication called "Transparency Simplified" that included guidance on transparency and disclosure.
- Mercer H&B implemented a web-based Policies & Procedures Guide for Transparency and launched a related program called "TurboTransparency" to help facilitate employee compliance through greater automation and business alignment.
- Guy Carpenter updated its portal-transparency web page, providing all Guy Carpenter employees with on-line access to transparency policies and documents. Guy Carpenter also designed and sent its global reinsurance disclosure and consent letter to all treaty and facultative clients, while the related procedures were rolled out to employees.

Financial Controls

In mid-2005, MMC implemented financial controls over the processing of compensation from insurers to prevent the inadvertent receipt of contingent compensation prohibited by the Settlement Agreement. In the US, MMC began logging all receipts that could not be matched to an open receivable and returned such receipts to the carrier if such receipt was determined to be a contingent or other prohibited form of compensation.

MMC also implemented billing processes starting in 2005 to prevent the collection of commissions on transactions where the necessary disclosures and written consent had not been obtained. Marsh's finance centers require its billers to obtain a signed authorization to bind prior to invoicing the client. This process was further modified in 2006 when Marsh introduced central invoicing units, which reduced the number of billers and provided for segregation of duties between Marsh's client-facing teams and its billers. Mercer H&B and Guy Carpenter added similar procedures in 2006 to verify timely client consent before commission revenue is posted to each respective company's financial systems.

Controls were implemented in each operating company in 2006 through standardized invoice disclosures and other client communications relating to MMC's retention of interest on premiums for businesses that collect premiums on behalf of insurers.

Policies on the Acceptance of Gift and Entertainment

To ensure compliance with Paragraph 9 of the Settlement Agreement, Marsh, Mercer H&B and Guy Carpenter issued similar policies governing the acceptance of gifts and entertainment from clients, insurers and intermediaries ("G&E" policies). In the second quarter of 2006, Marsh, Mercer H&B and Guy Carpenter sought certifications from their US employees that each employee was in compliance with his or her respective G&E policy for the period July 1, 2005 through March 31, 2006.

In 2007, Marsh, Mercer H&B and Guy Carpenter updated and harmonized their respective G&E policies and issued internal communications to apprise their personnel of the G&E policies and to reinforce the need to comply. Marsh and Guy Carpenter reissued their updated policies in 2007, and Mercer H&B developed and posted online training and frequently asked questions. For the period April 1, 2006 through June 30, 2007, Marsh and Mercer H&B sought certifications from all of their senior leadership team and a random sample of US employees, and Guy Carpenter sought certifications from all of its US employees.

C. Review and Significant Observations

Transparency and Disclosure

RSM McGladrey initially reviewed and analyzed policies and procedures and related documentation provided by MMC to address disclosure and transparency requirements imposed by the Settlement Agreement for the period ending December 31, 2005. RSM McGladrey also interviewed MMC compliance staff and selected local office personnel at each of the operating companies, Marsh, Mercer H&B and Guy Carpenter, to assess their understanding and implementation of the required policies and procedures.

Updated information and related communications were obtained for the period from January 1, 2006 through June 30, 2007 to assess the Company's progress in implementing and expanding its transparency and disclosure policies and procedures. This included a review of current Transparency Standards as well as the related compliance forms and documents used to demonstrate compliance with the required business reforms covering disclosure and transparency with clients. RSM McGladrey completed additional reviews and conducted interviews at local offices of the three operating companies to assess progress in the field.

In 2005, MMC provided their brokers with the general principles brokers should be following in the insurance placement process. A sample of policies placed by MMC during the period April 1, 2005 through December 31, 2005, revealed that brokers were not sufficiently documenting the communication of the placement strategy with their clients. The files reviewed indicated that brokers were not consistently obtaining acknowledgement of the terms under which insurance quotes would be obtained and whether "last looks" by incumbent carriers would be permitted. RSM McGladrey's review of selected placement files for the period January 1, 2006 through June 30, 2007 noted that MMC has improved documentation of the client's acknowledgement of the placement strategy taken by MMC. The documentation improvements included the use of the MMC Transparency Standard tools identified in the previous section.

Financial Controls

RSM McGladrey performed a detailed review of the external auditor workpapers of Marsh for the period January 1, 2005 through December 31, 2006, for evidence of revenue recognition controls testing and conclusions reached. Although appropriate controls had been designed to address issues noted in 2005 regarding Marsh's revenue recognition processes, in the 2006 audit, the external auditor determined that the control procedures within Marsh's centralized invoicing unit relating to obtaining client consent to compensation prior to revenue recognition were not being executed as designed. The external auditors confirmed this condition did not exist for Mercer H&B and Guy Carpenter. This issue directly affects the billing controls established to ensure all placements comply with the transparency policies and procedures MMC adopted to address the business reforms under the Settlement Agreement. According to the external auditors, this issue was remediated in 2007. Testing to determine whether MMC has fully remediated this issue will be conducted during the next examination.

Gift Policies and Certification Process

RSM McGladrey reviewed and evaluated "Marsh Inc. Policy on the Acceptance of Gifts and Entertainment from Clients or Suppliers," "Marsh Gift & Entertainment Policy Frequently Asked Questions," "Marsh Gift and Entertainment Quick Guide," "Mercer H&B Policy on Gifts and Entertainment," "Mercer H&B Gift & Entertainment Frequently Asked Questions", "Mercer H&B Gift & Entertainment Policy Training," and the "Guy Carpenter & Company, Inc. Code on the Acceptance of Gifts and Entertainment". RSM McGladrey also reviewed MMC's "Code of Business Conduct and Ethics", its various codes of professional conduct, and other written standards and policies and procedures related to the following areas identified in Paragraph 16 of the Settlement Agreement (collectively, "Business Conduct"): business ethics, professional obligations, conflicts of interest, anti-trust and trade practices.

A review and evaluation of MMC's compliance with its G&E Policies, including an examination and testing of certifications, reports or logs generated as a result of procedures implemented by MMC in 2006 to monitor compliance with MMC's Gifts and Entertainment Policies, was not completed during the 2005 examination, and was deferred to the 2006 examination.

RSM McGladrey obtained and reviewed the Marsh, Mercer H&B and Guy Carpenter gift certifications for the July 1, 2005 through March 31, 2006 certification and the April 1, 2006 through June 30, 2007 certification. After validating the population of certifications for completeness, a judgmental sample of ten gift certifications (comprised of three Marsh, four Mercer H&B and three Guy Carpenter employee gift certifications) for the April 1, 2006 through June 30, 2007 certification period was made by RSM McGladrey. Testing was conducted to determine the effectiveness of MMC's G&E Policies and the gift certification process. Testing procedures included the following:

- a. Evaluated policies and procedures developed and implemented to identify and monitor the receipt of gifts and entertainment by employees from insurers.
- b. Obtained and reviewed information concerning employees who failed to respond to gift certifications, employee certifications with exceptions, violations to the G&E policies and evaluated the actions taken by MMC for both the July 1, 2005 through March 31, 2006 gift certification and the April 1, 2006 through June 30, 2007 gift certification.
- c. Evaluated a sample of ten employee gift certifications selected from the April 1, 2006 through June 30, 2007 certifications for compliance with MMC's G&E policies.

Marsh and Mercer H&B do not require their employees to keep records of all gifts and entertainment received from insurers, and Guy Carpenter does not require its employees to keep records of all gifts and entertainment received from markets or suppliers. It is recommended that MMC require its employees to keep records of all gifts and entertainment received from insurers, markets or suppliers in order to accurately certify compliance with the G&E policies.

RSM McGladrey's review of exceptions to the gift certification policy noted instances of employees accepting gifts and/or gift certificates over the \$100 limit from insurers in the period from April 1, 2006 through June 30, 2007. Review of these exceptions indicated instances where the gifts were neither returned to the insurers nor declined. Instances of travel related expenses being paid by insurers were also noted. Gifts and travel-related expenses that have been determined as prohibited in MMC's gift and entertainment policies should not be accepted.

Seven instances were noted where employees were requested to certify and did not respond as to compliance with the gift policy for the period July 1, 2005 through March 31, 2006. Follow-up for these certifications was performed by MMC but they were never obtained for this period. If still employed and client facing, these employees were included in the sample of certifications for the period April 1, 2006 through June 30, 2007. For certifications for the period April 1, 2006 through June 30, 2007, there was one individual who did not certify and one individual whose response needed clarification, both of which MMC did not obtain until requested by RSM McGladrey.

Documentation of follow-up procedures and resolution of gift certification exceptions for the period July 1, 2005 through March 31, 2006 were not documented on a consistent basis. MMC should clearly document the follow-up procedures conducted, disciplinary action taken (if applicable) and resolution of all gift certification exceptions.

Placement Files Sample

RSM McGladrey selected a sample of 20 placements in 2005 from Marsh, Mercer H&B and Guy Carpenter to test compliance with the Transparency Standards adopted to comply with the business reforms. Certain documentation deficiencies were noted involving client consent or acknowledgement of placement strategies and to a lesser extent the timely receipt of client authorizations to bind coverage and related consent compensation.

Ten placements were reviewed from 2006 and 2007. It was noted that the process was applied more consistently in this period. The Company's Transparency Standards appear to have been uniformly applied with the introduction of the transparency forms and related documentation.

The placement process also includes reviewing quotes and declinations received from carriers. The Company has a policy and a related form to disclose all quotes and declinations to the client. An internal checklist is also used to ensure the accuracy of documents being presented to clients. Testing revealed that this process was consistently applied. File documentation of all quotes, declinations and non-responses appear to conform to the Company's transparency policies.

D. Summary

The client's instruction to bind coverage is an important part of the placement process. This written document confirms that the client's request matches the placement strategy implemented by the broker. Testing disclosed that the Company obtained the "order to bind coverage" documentation from clients in 100% of the files reviewed.

The Settlement Agreement states that the Company must obtain the client's consent to compensation in writing prior to binding. Testing revealed that the Company obtains the consent to compensation prior to binding coverage. The Company's process to obtain the consent to compensation prior to binding complies with the terms of the Settlement Agreement.

The placement sample selected was examined for disclosure of interest earned on premium funds held by the broker, wholesaler and/or premium finance arrangements. All of the files examined include the appropriate disclosure involving interest earned on premium deposits. The sample included one file that utilized a wholesaler and one file that involved a premium finance company. In each case, the appropriate disclosures were presented to the client prior to binding the policy.

In addition, RSM McGladrey reviewed the placement files to determine whether MMC requested or accepted inappropriate contingent commissions, was involved in pay-to-play arrangements, bid-rigging arrangements, steering, or inappropriate use of wholesalers. The review of the selected placement files did not reveal evidence that these activities occurred.

Testing performed to determine whether MMC had established policies and procedures to prohibit the receipt of gifts and entertainment from insurers disclosed a process by which MMC monitors this prohibition through a periodic certification process of selected employees. Improvements are necessary in this area as it relates to documentation of exception resolution and enforcement. It is recommended that MMC strengthen compliance with the nonacceptance of gifts in excess of \$100 in the aggregate from insurers.

Overall, the Company's policies and procedures are in substantial compliance with the business reforms required by the Settlement Agreement.

V. COMPLIANCE PROCEDURES – TRAINING

A. Overview

Paragraph 16 of the Settlement Agreement requires MMC to implement written standards of conduct governing the compensation it receives from insurers and provide training to relevant employees on its standards of conduct, including training in business ethics, professional obligations, conflicts of interest, anti-trust and trade practices compliance, and record keeping.

B. Company Procedures

Training Curriculums

MMC deployed two distinct training curriculums. The content of the Business Conduct curriculum addresses the five business conduct topics required by the Settlement Agreement (i.e., business ethics, professional obligations, conflicts of interest, antitrust and trade practices compliance and record-keeping). The Business Practices curriculum addresses the mechanics and practical application of placing business in a manner that complies with the requirements of the Settlement Agreement.

Identification of Employees Required to Receive Training

MMC's definition of a "relevant employee" initially included all U.S. and international employees of Marsh, Mercer H&B and Guy Carpenter who were licensed brokers, corporate officers, client-facing, and/or involved in invoicing or handling client funds as of February 1, 2005. MMC also considered all members of its Legal, Audit & Control and Compliance departments as relevant employees who were required to receive the training mandated by the Settlement Agreement.

In 2006, Marsh extended the definition of relevant employees required to complete the "Business Conduct Training" to include all non-clerical employees in the U.S. Guy Carpenter extended this definition to include all employees worldwide.

In late 2007, after further clarification on the implications of Amendment Number 1 regarding the extraterritorial application of the Settlement Agreement, Marsh and Mercer H&B's definition of relevant employees outside the U.S. who were required to complete MMC's five course "Business Conduct Training" was refined to include only employees involved in activities within the scope of the amended Settlement Agreement.

Online Introductory Training Completed within 60 Days of Implementation of the Settlement Agreement

MMC deployed its "Business Practices Training" for all U.S. relevant employees commencing in March 2005. The "Business Practice Training" addressed the practical elements of implementing the business practices required effective April 1, 2005. Refresher training on business practices has been delivered regularly since then on an as needed basis. In March 2005, MMC also deployed online "Business Conduct Training" that addressed the five specific topics required by the Settlement Agreement.

According to MMC, by April 1, 2005, approximately 12,000, or 99%, of MMC's U.S. relevant employees completed an introductory online Business Practices and Business Conduct Training course on the five standards of conduct required by the Settlement Agreement. This one-hour introductory course was developed internally with input from senior MMC and operating company compliance and training personnel, and from internal and outside counsel.

Instructor- Led Business Practices Training Completed Since April 1, 2005

After the implementation of MMC's Transparency Standards, throughout the remainder of 2005 and in 2006, in-depth instructor-led Business Practices Training was provided by senior compliance personnel within Marsh, Mercer H&B and Guy Carpenter to personnel in each office, including client-facing employees, local professional standards officers and compliance process managers. Instructor-led refresher Business Practice Training on MMC's Transparency Standards has also been provided to relevant employees as needed since then, by compliance monitoring personnel and/or zone or regional compliance officers within each operating company.

Online Business Conduct Training Completed Since April 1, 2005

In the second quarter of 2005, MMC retained an outside vendor, LRN, to provide two in-depth online courses in business ethics and conflicts of interest. MMC also developed three courses internally on antitrust, record keeping, and professional obligations in collaboration with outside counsel. These five courses were initially developed in English and released in the fourth quarter of 2005 in the U.S. Translations were completed for these five courses in thirteen other languages and rolled out to employees in the rest of the world commencing in the second quarter of 2006.

According to MMC, by December 31, 2006, more than 96% of MMC's global relevant employees had completed MMC's online Business Conduct Training program comprising these online courses on the five standards of conduct. These five courses take approximately four hours to complete, and require correct answers to all 10 questions at the end of each course to be considered complete. In the second quarter of 2007, these quizzes were randomized for the two courses developed by LRN. According to MMC, by June 30, 2007, approximately 21,600 of MMC's current global relevant employees, or 98%, had completed this in-depth training.

Business Conduct Training for New Hires

In 2006, Marsh, Mercer H&B and Guy Carpenter modified their new hire procedures to ensure that new non-clerical employees were informed of the need to complete MMC's Business Practices and Business Conduct Training. Marsh, Mercer H&B and Guy Carpenter initiated "catch up" waves of training to reach relevant employees hired during the examination period.

Maintenance of Training Records

Records for all online training are maintained by KnowledgePlanet/Mzinga, an outside vendor and provider of learning solutions and services. These records include the training history for every online course taken by every MMC employee, including the date and time of completion. MMC can query these records or otherwise obtain reports on training completion as required. Regular reports of this nature were obtained during MMC's efforts to ensure that all relevant employees successfully completed all five courses in the mandatory Business Conduct Training program. KnowledgePlanet also serves as a central repository for all on-line training materials used to train MMC personnel.

Consequences for Employees Who Did Not Complete the Required Business Conduct Training

Any employees who did not complete MMC's Business Conduct Training in a timely manner were contacted by senior compliance personnel, and were ultimately reported to their business leaders for follow up.

C. Review and Significant Observations

RSM McGladrey reviewed and analyzed the training programs developed and implemented by MMC to ensure compliance with the terms of the Settlement Agreement. The review included an evaluation and testing of the factors used to determine relevant employees to be trained and the accuracy of the resulting lists, and an analysis of the effectiveness of training and course content related to the requirements of the Settlement Agreement.

Tests of Relevant Employees

RSM McGladrey reviewed training records for a sample of 20 employees who had been designated by MMC as relevant employees and determined that one employee hired in November 2006, after Marsh's last "catch up wave" of training, had not completed the required training.

RSM McGladrey performed a judgmental review of a listing of employees who had not been trained. Based on a review of job titles, it appears that MMC's definition of a relevant employee is appropriate, but that certain relevant employees were not yet trained.

Training Course Content

RSM McGladrey performed a judgmental review of the training presentations used during the examination period and the materials reviewed provided sufficient information to employees of the five standards of conduct required by the Settlement Agreement.

Business Conduct Training for New Hires

RSM McGladrey observed that in the fourth quarter of 2006, Marsh, Mercer H&B, and Guy Carpenter initiated "catch up" waves of training to identify relevant employees hired after February 2005. MMC had not completed training of all relevant employees as of June 30, 2007. MMC has represented that training of those employees hired through June 30, 2007 has continued, which will be tested in the next examination.

New Hires Who Did Not Complete Training Within the Required Time Period

RSM McGladrey obtained a listing of new hires that did not complete the required training within thirty days (Marsh and Mercer H&B) or ninety days (Guy Carpenter) from the date of notification of the requirements. A review of the job titles on these listings indicated employees who would be classified as relevant employees had not completed the training timely.

Disciplinary Action for Non-Completion of Mandatory Compliance-Related Training

RSM McGladrey observed that there are no consequences for MMC personnel failing to complete the compliance-related training programs beyond the receipt of follow-up emails, telephone calls and/or personal visits from Compliance personnel intended to impress upon the individual the need to complete the training. A formal proposal for consequences relating to non-timely completion of training has been developed for all operating companies and is currently under consideration by MMC management.

Mechanisms to Prevent Improprieties in Completion of Online Compliance-Related Training

All relevant employees must achieve a quiz score of 100% in order to be credited with completion of the five course online Business Conduct Curriculum. RSM McGladrey noted that certain enhancements have been made to the mechanisms in place to prevent improprieties in the completion of the quiz. Specifically, the questions and answers were randomized for the two courses developed by LRN (Ethics and Conflicts of Interest) to reduce the potential that employees could receive assistance from other employees when completing the online training. The three remaining courses include a validation quiz and access to each course is password protected.

Incorporation of MMC Gifts and Entertainment Policies into Training Program

RSM McGladrey noted that Mercer H&B incorporated the Gifts and Entertainment policy into its formal training programs by including it in the mandatory Compliance and Professional Standards course, and also included access to Gifts and Entertainment training on its intranet site. However, the Gifts and Entertainment Policy has not been incorporated into Marsh and Guy Carpenter formal training programs.

Evaluation of Effectiveness of Instructor-Led Training Programs

MMC does not require the use of reviews, quizzes or tests to evaluate the effectiveness of its trainers for its instructor-led Business Practices Training. Instead, the effectiveness of this training is measured by the compliance monitoring scores achieved in each business/practice. By the second quarter of 2007, Marsh, Mercer H&B and Guy Carpenter all achieved overall compliance monitoring scores in their core US businesses of >95%. Mercer H&B used feedback evaluations for its mandatory national instructor-led train-the-trainer sessions that were rolled out in 2006 and 2007.

D. Summary

Testing indicated that MMC has developed processes to provide training to relevant employees on its standards of conduct, including training in business ethics, professional obligations, conflicts of interest, anti-trust and trade practices compliance, and record keeping.

It is recommended that MMC continue to implement procedures to identify all relevant employees and to complete training of Marsh employees hired after October 2006.

MMC has reasonably complied with the terms of the Settlement Agreement in relation to its training requirements.

VI. COMPLIANCE PROCEDURES – ANNUAL DISCLOSURES

A. Disclosure Requirements

Annual Client Disclosure Requirements

Paragraph 15 of the Settlement Agreement requires MMC “to disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal consultation on or servicing of that client’s policy.”

Annual Report to Superintendent

Paragraph 22 of the Settlement Agreement requires MMC’s Board of Directors to file annual reports with NYSID which include the amount of each form of Compensation received by MMC from each insurer with which it placed insurance during the preceding year.

MMC’s Board of Directors has filed two Annual Reports to Superintendent for compensation received in 2005 and in 2006. These reports were provided to NYSID in March 2006 and May 2007, respectively. The 2007 Annual Report to Superintendent is due for submission to NYSID in May 2008.

B. Company Procedures

Annual Client Disclosure Letters

Compensation Disclosed in the Annual Client Disclosure Letters

The revenue disclosed in Marsh’s 2005 and 2006 annual disclosure letters to clients in its US Consumer and Advantage America (a partial self-insurance program) business segments, was reported on a billed basis for transactions that Marsh invoiced to clients and on a cash basis for direct bill transactions. Mercer H&B’s annual client disclosure letters were issued on a calendar year cash basis, and included all in-scope compensation earned in the U.S. Guy Carpenter completed its annual client disclosure letters on a calendar year accrual basis to all of Guy Carpenter’s in-scope clients worldwide.

How the Data was Compiled and Validated Before Mailing

For Marsh, Mercer H&B, and Guy Carpenter, compensation data was gathered from each entity’s main billing systems and aggregated into a centralized annual client disclosure database for each entity by annual disclosure teams in each entity, with assistance from finance personnel who validated the total compensation being reported. Marsh and Guy Carpenter requested assistance from their brokers/account executives to validate the client contact information and compensation data, while Mercer H&B validated the contents of its annual client disclosure letters primarily through a review performed by its finance personnel and by Mercer H&B’s compliance process managers; Mercer H&B then forwarded a copy of the final drafts of the disclosure letters to its consultants/brokers for a final accuracy review.

How the Mailings were Conducted and Controlled

Mercer H&B and Guy Carpenter mailed their annual client disclosure letters centrally in-house; Marsh predominantly used third party vendors to transmit the disclosure letters to its clients. In all cases, client letters were mailed via the U.S. Postal Service. Logs were maintained of any returned mail, so that suitable follow-up efforts could be undertaken to ensure such mail was appropriately resent. In addition, copies of each letter were retained and maintained electronically in-house and/or with MMC's third party vendors.

Testing of the Process by MMC's Internal Audit Group

In 2007, MMC Audit & Control performed audits of the annual client disclosure process used by Marsh US Consumer, Marsh Advantage America and Mercer H&B when issuing their 2006 annual client disclosure letters. No significant issues were noted in these audits.

Disclosures Completed in 2006 and 2007

Annual client disclosures were completed in 2006 and 2007 for 2005-2006 to all of the clients of Guy Carpenter, Mercer H&B, Marsh US Consumer and Marsh Advantage America businesses as follows:

<i>MMC Business Segment</i>	<i>Period Disclosed</i>	<i>Completion Date</i>	<i>Approximate Number of Clients Receiving Disclosure</i>
Guy Carpenter	2005 2006	April 2006 Sept 2007	900 900
Mercer H&B	2005 2006	June 2006 Oct 2007	12,600 11,750
Marsh US Consumer	2005 2006	Mar 2006-Jan 2007 June-Aug 2007	200,000 200,000
Marsh Advantage America (sponsored programs & associations)	2005 2006	Oct 2006 Aug 2007	6,000 3,000

Marsh issued annual client disclosure letters in 2006 and 2007 to some of its US institutional clients as follows:

<i>MMC Business Segment</i>	<i>Period Disclosed</i>	<i>Completion Date</i>	<i>Approximate Number of Clients Receiving Disclosure</i>
Marsh US Institutional	Apr 05-Mar 06 Apr 05-Dec 06	Sept 2006 May 2007	1,250 3,500

Of Marsh's US Institutional clients, 15,708, or approximately 82%, have not yet received annual client disclosure letters for 2005 or 2006. In total, as of December 2007, MMC has issued approximately 93% of the annual compensation disclosure letters relating to 2005 and 2006.

Technical Problems with Marsh's US Institutional Annual Client Disclosure Letters

During the process of issuing disclosure letters to its institutional clients, Marsh experienced a number of technical challenges associated with the aggregation of data from multiple legacy fiduciary accounting systems that had not been designed to provide disclosures to clients of aggregate compensation earned on their accounts. The technical challenges required substantial manual interventions. In August 2007, Marsh concluded that it should suspend further attempts to complete disclosure letters for the period April 2005-December 2006 to the remaining 15,708 Marsh institutional clients and focus on completing the 2007 disclosure letters. On September 9, 2007, MMC informed NYSID of this decision, and issued a letter on September 28, 2007 to provide NYSID with further information regarding this decision. This letter described the efforts undertaken to complete Marsh's annual client disclosure letters to the remaining group of institutional clients, the difficulties encountered and described MMC's remedial plan to complete the 2007 disclosure letters to such clients in 2008.

Annual Report to Superintendent

Compilation Process

MMC's 2005 and 2006 Annual Reports to Superintendent present the compensation amounts received worldwide by MMC from each insurer with which it placed insurance during the calendar year. All business segments of Marsh, Mercer H&B and Guy Carpenter that received compensation for placing, servicing, renewing or consulting on insurance policy placements are included in these Reports. The compensation in each report identified each form of compensation received and is sorted by the nature of the services performed and by insurer group. Prior to filing its first Annual Report to Superintendent in early 2006, MMC reviewed with NYSID the proposed format for its report.

The 2005 and 2006 Annual Reports to Superintendent include the following types of compensation relating to insurance and reinsurance brokerage services:

- All commissions billed, regardless of whether the invoice was paid, and all direct bill cash receipts. Accruals on unbilled transactions were excluded.
- All market service revenue (contingent commissions/override) received in 2005 and 2006 that was earned prior to October 1, 2004 but not previously accrued, and contingent compensation relating to profit sharing arrangements by MMC's managing general agency businesses, as permitted by the Settlement Agreement. To the extent MMC received any market service revenues relating to placements subsequent to October 1, 2004, such compensation was returned to the insurer and was therefore excluded from such reports.

The 2005 Annual Report to Superintendent also included fees received from insurers for claims management and loss control consulting activities, and fees received from clients and third party administrators on behalf of clients, predominantly for administering US-based self-insurance programs. Such fees were excluded from the 2006 Annual Report to Superintendent because those fees were not received from insurers in connection with the placement, renewal, consulting on or servicing of an insurance policy.

Geographic Scope of Annual Report to Superintendent

For practical reasons, MMC's 2005 and 2006 Annual Reports to Superintendent include all compensation earned on a worldwide basis, rather than limiting such disclosure to compensation earned within the scope of the Settlement Agreement, namely relating to insurance policy placement, renewal, consultation or service (a) performed for clients domiciled in the US, and/or (b) associated with covering property or operations situated in the US.

Methodology Followed to Compile Annual Report to Superintendent

The compensation reported in MMC's Annual Report to Superintendent was collected from more than 70 different billing systems worldwide, and aggregated in an Annual Insurer Disclosure Access database developed to address MMC's annual reporting requirements.

MMC used a standardized file format to collect compensation data from finance personnel around the globe who were responsible for its numerous fiduciary accounting systems. Each insurer was assigned a number through MMC's internal Worldwide Insurer Monitor (WIM) coding system. For certain entities/countries, WIM codes were already assigned; for others, this involved assigning WIM codes as appropriate to the insurers listed in each data submission.

MMC then loaded the compensation data files into its database, which converted foreign currency amounts to US dollars, aggregated the compensation, by insurer, through the use of the WIM codes, and generated the Annual Report to Superintendent. The details of this process are documented in MMC's Annual Insurer Disclosure Business Requirements document, which was developed in connection with the preparation of the 2005 Annual Report to Superintendent, then refined for the 2006 and 2007 annual insurer disclosure processes.

Validating the Completeness and Accuracy of Annual Report to Superintendent

Local finance personnel from each submitting entity/country were required to validate the completeness and accuracy of their data prior to submission, and to complete control forms evidencing such validation. A centralized unit identified as the Annual Disclosure Central Group then reviewed such data and control forms for reasonableness, performed specified control tests, then queried and addressed any anomalies as appropriate.

For 2006, MMC also obtained reconciliations of the data submissions from its major reporting business segments, representing approximately 90% of MMC's global revenues, to the source systems from which the data was extracted. MMC's external auditors perform annual SOX testing on MMC's source systems. In addition, MMC's internal audit group conducted limited testing of the reliability of the insurer compensation data, business requirements and disclosure processes with no significant concerns being identified by the internal audit group.

For the 2005 and 2006 Annual Reports to Superintendent, MMC's Annual Disclosure Central Group also documented the issues that arose and were resolved during the annual insurer disclosure process, and summarized them in a memo for MMC's Chief Compliance Officer to review before finalization of MMC's 2005 and 2006 Annual Reports to Superintendent.

C. Review and Significant Observations

RSM McGladrey performed testing to evaluate the completeness and accuracy of the annual disclosure process utilized by MMC. Testing of both annual disclosure components, the Annual Client Disclosure Letters and the Annual Report to the Superintendent, was performed by RSM McGladrey.

Annual Client Disclosure Letters

RSM McGladrey tested the annual client disclosure process for the periods ending December 31, 2005 and December 31, 2006. Testing included a sample of 20 annual client disclosure letters from Mercer H&B and Guy Carpenter for the period ending December 31, 2005. For the period ending December 31, 2006, a sample of 20 annual client disclosure letters from Marsh, Mercer H&B and Guy Carpenter was chosen. The purpose of the testing was to verify that the disclosed compensation was complete and accurate. As discussed above, MMC continued to have difficulty aggregating data for Marsh Institutional clients due to system limitations. As a result, Marsh Institutional clients were not included in the sample.

A review of disclosures for the periods ending December 31, 2005 and December 31, 2006 indicated that the compilation process utilized by MMC was adequate in 2005 and improved in 2006. Support for certain sampled client disclosures was not readily available. RSM McGladrey was unable to reconcile the data included in several sampled letters and identified instances where information was not included in the disclosure letters in both periods tested. MMC used a batch method for the production and mailing of client disclosure letters issued for the periods ending December 31, 2005 and December 31, 2006. Information regarding various databases employed to retain client letter information was provided to RSM McGladrey. We recommend that MMC enhance the process to include retention of all data files and documentation used to create the disclosure letters.

Annual Report to Superintendent

To test the Annual Report to Superintendent, supporting records were examined for a sample of 20 carriers in 2005 and 5 carriers in 2006 to verify that the disclosed carrier compensation was accurate. The examination focused on carriers who reported market service revenue in either 2005 or 2006. For the samples selected, supporting records were reviewed to determine that the carrier compensation was accurately reported and that MSR recognized in 2005 or 2006 was appropriate.

In order to test the disclosure samples for 2005 and 2006, MMC provided billing system information for revenue received and additional documentation as to whether the MSR they recognized was appropriate. Testing of the 2005 Annual Report to Superintendent included a sample of twenty carriers for which supporting commission and MSR data provided by MMC was reviewed for accuracy. The support was not well documented; however, testing indicated that the compilation process utilized by MMC was satisfactory. The information included in the report was reasonable. No significant issues were identified through testing of the 2006 report. According to MMC, any market service revenue received for policies placed after October 1, 2004 was returned to the submitting carrier. RSM McGladrey requested a sample of market service revenue receipts received in 2005 which MMC was unable to retain under the terms of the Settlement Agreement. MMC was unable to provide sufficient documentation to support all the insurer payment returns selected. RSM McGladrey was able to review a sample of returned market service revenue receipts for the period January 1, 2006 through June 30, 2007, which revealed that the methodology utilized to determine whether MSR was acceptable was not well documented. There also continues to be a significant lag time between the receipt and subsequent return of prohibited MSR receipts.

RSM McGladrey reviewed financial controls identified by MMC's Audit & Control group as impacting processes critical to compliance with the Settlement Agreement for adequacy. MMC Audit & Control's testing of these controls noted no unremediated deficiencies. MMC's external auditor determined that issues existed in the implementation of controls surrounding the Marsh USA centralized invoicing process. This presents a risk that billing errors could go undetected and adversely affect the accuracy of the source data utilized in compiling the disclosure to NYSID as mandated by the Settlement Agreement. A review of the external auditor's workpapers for revenue recognition and internal controls testing and their conclusions was conducted during the examination. During testing performed by RSM McGladrey, no negative impact from this issue was identified. According to MMC's external auditor, this issue was remediated in 2007. Testing to determine whether MMC has fully remediated this issue will be conducted during the next examination. No significant control issues affecting annual disclosures were identified by the external auditor at Mercer H&B or Guy Carpenter.

In reviewing the data submissions of MMC subsidiaries for inclusion in the Annual Report to Superintendent, RSM McGladrey noted that reconciliations to source documentation were not performed for the 2005 report. Based upon RSM McGladrey recommendations, MMC performed reconciliations for entities comprising approximately 90% of the amount disclosed in the 2006 report. For those entities not submitting reconciliations, MMC performs alternative procedures to verify the completeness and accuracy of data submitted.

D. Summary

MMC made a good faith attempt to complete the annual client disclosure process, but encountered significant delays and obstacles due to systems limitations. As a result, significant delays have occurred in mailing the 2005 and 2006 annual letters to certain clients. MMC recognizes that system improvements are necessary and has begun to streamline the process to improve the timeliness of annual client disclosure letters.

MMC was able to provide substantially accurate Annual Reports to Superintendent in a timely manner for both 2005 and 2006. Difficulties in providing detailed supporting documentation for 2005 disclosures appear to have been adequately addressed. MMC should continue to monitor its system of internal controls over the revenue reporting process.

VII. COMPLIANCE PROCEDURES – COMPLAINTS

A. Overview

Paragraph 21 of the Settlement Agreement requires MMC to “maintain a record of all complaints received concerning any Compensation from an insurer which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee’s Quarterly Report and to the Superintendent annually commencing from the effective date of the Agreement.”

B. Company Procedures

MMC’s Definition of “Reportable Complaints” and “Incidents”

MMC adopted the following definition regarding reportable complaints: “a reportable complaint is a complaint, or other express objection, protest or grievance from any source, including calls to the Insurer Compensation Line or MMC Ethics Hotline, anonymous letters or phone calls to any person or department within MMC, or direct communications from a client, employee, wholesaler, insurer or reinsurer that are not already formally reported via MMC’s compliance monitoring process, relating to a matter involving acceptable or unacceptable forms of compensation.” Reportable complaints are a subset of a broader category of potential violations of the Settlement Agreement referred to as “incidents”, all of which are investigated and reported to each operating company’s Incident Review Panel.

Processes Employed to Identify Reportable Complaints and Other Incidents

MMC utilizes various processes to identify reportable complaints including:

- The Insurer Compensation Line which provides individuals, including MMC employees, clients, and others, with the opportunity to voice complaints via a toll-free telephone number (anonymously or otherwise). The Insurer Compensation Line is managed by Global Compliance Services, an outside vendor, and is referenced on MMC’s and each operating company’s websites, in MMC’s Transparency Standards, in client brochures, and in proposals to certain new clients.
- The MMC Ethics Hotline, also managed by Global Compliance Services, which is also referenced on MMC’s website.
- A global network of compliance officers and liaisons, including incident investigation teams, to whom employees of MMC or its operating companies may directly voice a complaint, or forward a complaint from outside sources.
- Quarterly canvassing of senior business leadership and compliance personnel regarding complaints that may not have already been reported through any other means.

Logging of All Complaints and Incidents

Incidents, including reportable complaints, are logged and tracked in separate quarterly incident and complaint logs maintained by incident management teams within each MMC operating company under MMC guidance and governance. Such guidance includes regular incident management team meetings, procedures defining the escalation, reporting and resolution of complaints and other incidents, and periodic audits. For the period covered by this examination, these incident logs and complaint logs were Excel based. Commencing in the third quarter of 2007, Mercer H&B implemented a database to more efficiently log and manage its incidents and complaints.

MMC's Complaint and Incident Investigation Processes

Personnel with legal/investigative backgrounds within the incident management teams at each operating company either investigate or oversee the investigation of all complaints and incidents, then compile complaint and incident resolution recommendations to resolve each complaint or incident. The findings from each investigation and the corresponding recommendations for resolution are documented in Incident Investigation Reports, which are filed in incident files maintained for each incident or complaint.

Complaint and Incident Resolution

Incident Review Panels of each operating company meet on a regular basis to review the resolution of each completed complaint and incident investigation. The membership of these panels typically includes senior business, human resources, finance, legal, and compliance representatives.

Beyond any systemic initiatives to improve business alignment with MMC's Transparency Standards, resolution may include financial penalties at the office or company level where client consent issues exist, and training and mentoring to further enable employees to execute appropriate processes. Additional employee accountability may be warranted for severe or frequent violations. In these instances, resolution may include verbal warnings, more formal performance warnings and termination. According to the Company, the severity of the violation, frequency of any other violations and prior incidents are factors that are considered in determining the appropriate resolution. RSM McGladrey reviewed complaint files and the logs to evaluate the adequacy of disciplinary actions taken. See RSM McGladrey's conclusions below.

Incident Reporting

Each quarter, each operating company updates its incidents log to identify progress on open incident investigations in the previous quarter. These logs are used by compliance personnel to oversee the incident investigation and resolution process.

Complaint Reporting

By June 30, 2007, MMC had received 38 complaints from a variety of sources: 9 in 2005, 7 in 2006, and 22 in 2007. The 16 complaints received through December 31, 2006 were all reported in the 2005 and 2006 Quarterly Reports to MMC's Compliance Committee, and in the 2005 and 2006 Annual Reports to Superintendent. The 22 complaints received in the period from January 1 to June 30, 2007 were or will be reported in the 2007 Quarterly Reports to MMC's Compliance Committee, and will be included in the 2007 Annual Report to Superintendent.

C. Review and Significant Observations

RSM McGladrey analyzed policies and procedures for the reporting and investigation of incidents and complaints in each business unit and for each business line.

Review of Incident and Complaint Logs

RSM McGladrey selected a sample of incidents and complaints from each operating company's incident and complaint logs. The files were reviewed to determine whether the investigations were complete and whether they were properly classified in the logs.

MMC prepared a composite complaint log for RSM McGladrey for the period April 1, 2005 through June 30, 2007 which was comprised of all the complaints opened during the period as reported in the quarterly reports to the MMC Compliance Committee. It was noted that the composite log through June 30, 2007 did not include all complaints that occurred prior to June 30, 2007. Accordingly, RSM McGladrey requested the report for the third quarter of 2007 as the composite log by design does not consistently reflect the date of the complaint. For some complaints in the logs, only the date the matter was reported to the business entity's compliance representative is identified.

A composite of incidents for the period April 1, 2005 through June 30, 2007 was obtained for each operating company. RSM McGladrey reviewed the incident logs for adequacy of the information maintained. The incident logs maintained and provided by MMC do not always specify the date that the incident occurred.

Sample Testing of Incidents and Complaints

RSM McGladrey performed testing of a sample of fifteen incidents for the period April 1, 2005 through December 31, 2005, ten incidents for the period January 1, 2006 through June 30, 2007, seven complaints for the period April 1, 2005 through December 31, 2005 and ten complaints for the period January 1, 2006 through June 30, 2007. The testing process included the determination of compliance with established policies and procedures for timely identification and reporting of incidents and complaints. We tested the sample of incidents to determine that they were correctly classified as an incident versus a compensation-related complaint. In addition, RSM McGladrey tested whether internal investigations were handled in a thorough manner and if sufficient documentation to support reasonable and appropriate resolution was maintained in the file. The final aspect of the review was to evaluate the reasonableness of any disciplinary actions taken with respect to personnel involved.

Escalation of Compensation Related Complaints

MMC advised RSM McGladrey that nine compensation-related complaints received through a customer service center within Marsh's Private Client Services (PCS) business segment, were not escalated timely. These complaints were received following the mailing of approximately 200,000 annual disclosure letters to Marsh's US Consumer clients. In preparing the compensation complaint report for Marsh Compliance in August 2007, PCS management incorrectly determined that certain client comments were not compensation-related complaints. These complaints occurred in the second quarter of 2007 but were not reported to the respective MMC Compliance representative until the fourth quarter 2007; these complaints were not included in the second or third quarter MMC Compliance Committee reports. As a result of this situation, interviews were conducted between Marsh Compliance and Marsh's PCS leadership and a review of the compensation complaint process flow was conducted and new procedures were agreed upon. These new procedures are currently being finalized by MMC.

Backlog in Resolution and Closure of Mercer H&B Incidents

A review of the June 5, 2007 incident resolution report indicated that six Mercer H&B incidents logged in the fourth quarter of 2006 were not closed and resolved until the second quarter of 2007. An additional six Mercer incidents did not get resolved until the third and fourth quarters of 2007.

Annual Report to Superintendent

RSM McGladrey evaluated the completeness of the Annual Report to Superintendent by reconciling complaints in each entity's complaint log to the data contained in the Annual Report to Superintendent. In addition, RSM McGladrey reconciled a sample of ten complaints to the quarterly reports to the Board of Directors and observed that the complaints were appropriately reflected in the quarterly reports.

Review of Complaint Certifications

MMC conducts quarterly canvassing of certain senior personnel in each operating company to identify whether any complaints may have been received but not reported to Compliance during that quarter. RSM McGladrey reviewed the procedures for the period April 1, 2005 through June 30, 2007 and noted that through December 31, 2005, Mercer H&B and Guy Carpenter did not list the individuals canvassed by name. Effective in the fourth quarter of 2006, complaint certifications performed by all three operating companies are standardized and require identification of the individuals canvassed by name and title.

Insurer Compensation Line and MMC Ethics and Compliance Line

RSM McGladrey noted that MMC took steps to enhance awareness of the existence and purpose of these lines to MMC employees and clients by including information about the lines on both the internal compliance and human resources intranet sites and on the MMC website.

Limitations on Broker Authority

RSM McGladrey observed that there is generally no limitation on a broker's authority to bind business or perform other functions pending the outcome of compliance-related investigations involving MMC's Transparency Standards, but such brokers may be subject to peer review and controls to ensure timely disclosure and consent. It was noted that MMC took action as a result of compliance-related investigations where the incident was validated; certain MMC employees were terminated while others were subject to additional training, mentoring and peer review.

D. Summary

Testing performed to determine whether MMC had established policies and procedures to monitor the receipt and resolution of compensation-related complaints in accordance with the Settlement Agreement disclosed that the Company had developed an effective process. Reporting of complaints to the Compliance Committee of the MMC Board of Directors and the Superintendent was reviewed for timeliness, completeness and accuracy. A sample of the total complaints reported over the examination period was reviewed to determine the nature of the complaint and the actions taken to address the complaint in a timely and responsive manner. Although not specifically required by the Settlement Agreement, the Company also logged and tracked incidents in separate quarterly incident logs for each operating company during the examination period.

It is recommended that MMC include in the logs the date that the alleged violation occurred or was first reported as an incident or complaint. This would allow for improved analysis and identification of trends in the occurrence of alleged violations. Such information is also necessary to perform an analysis of alleged violations that occurred during a particular time period. It is recommended that Investigation Reports be retained with the supporting documentation in the individual complaint files.

While MMC has taken disciplinary actions against employees who have been involved in compensation related complaints, MMC has no limitation on a broker's authority to bind business or perform other functions pending the outcome of compliance-related investigations. Although MMC conducts informal monitoring and oversight of brokers who are the subject of a compliance-related investigation, RSM McGladrey recommends that MMC implement a formal process to monitor the broker's actions while certain types of investigations are ongoing.

MMC is in substantial compliance with the terms of the Settlement Agreement in relation to compensation-related complaints.

VIII. COMPLIANCE PROCEDURES – COMPLIANCE MONITORING

A. Overview

The Settlement Agreement (Paragraph 20) requires the Compliance Committee of MMC to monitor and report to MMC's Board of Directors and to NYSID on MMC's compliance with the standards of conduct regarding compensation from insurers for a period of five (5) years from the effective date of the Settlement Agreement.

MMC formed a Compliance Committee within 30 days of the Settlement Agreement, comprising three independent directors of MMC, and chaired by the former U.S. Attorney for the Eastern District of New York, who is currently a partner at a major New York law firm. Since its formation, the Compliance Committee has actively monitored and overseen the implementation of the standards of conduct required by the Settlement Agreement. It met formally 24 times between March 1, 2005 and June 30, 2007, receiving and discussing, among other things, presentations from MMC's Chief Compliance Officer and Compliance Staff and each operating company on the business reforms required by the Settlement Agreement, including the development and implementation of MMC's Transparency Standards, MMC's compliance with such standards and the methodology used to monitor and measure compliance, MMC's compliance with the training and annual compensation disclosure requirements of the Settlement Agreement, and MMC's compensation-related complaints.

B. Company Procedures

Compliance Monitoring Process

MMC established a transparency compliance program to monitor adherence to Transparency Standards ("MMC's Transparency Compliance Monitoring") commencing in July 2005 in the U.S. and internationally in mid-2006. In the first quarter of 2006, MMC created a standardized Transparency Monitoring Questionnaire to be utilized by all MMC operating companies. Reviewer Guides were developed to provide guidance to the monitors conducting these reviews. The Reviewer Guides have been enhanced since inception to ensure that the questions were interpreted consistently across the operating companies while allowing for their different placement processes. The Reviewer Guides vary in the level of detail included, such as explaining which files are outside the scope of the review ("Non-reviewable Files") and the procedures for discussing exceptions with office staff involved in the placement of the business ("Confirmation Process"). The Reviewer Guides also provide guidance regarding the process for escalating certain instances of potential non-compliance and reporting such instances on a Monitoring Exception Report ("MER") for Marsh, and on an Incident Investigation Report/Potential Business Reforms Violation Report for Mercer H&B and Guy Carpenter, each of which captured similar information at the outset of discovery of each incident.

Throughout the period of this Examination, MMC's Transparency Compliance Monitoring methodology was comprised of three main elements: a) a transactional compliance monitoring process performed by operating company compliance monitors who evaluated and reported on operating company compliance with certain elements of MMC's Transparency Standards, b) testing by MMC Audit & Control to validate the reliability of these results, and c) certain other monitoring of compliance with the prohibitions in the Settlement Agreement, performed by the compliance monitors during their transactional monitoring and MMC Audit & Control during their regular internal audit visits and during their Meta-Audit reviews, and through the regional compliance officer and professional standards officer networks within each operating company.

The transactional compliance monitoring process involves testing a statistically valid random sample of insurance/reinsurance placements in several operating company offices each quarter using standardized Transparency Monitoring Questionnaires and Reviewer Guides for each operating entity. MMC's Transparency Monitoring Questionnaire for the majority of the period of this Examination was comprised of 13 questions to test MMC's dealings with its clients as required by the Settlement Agreement, ranging from the completeness and accuracy of all quote disclosures to whether MMC received the client's written consent to MMC's commissions before the insurance policy was bound. Compliance rates measure the extent to which each of these requirements were implemented for each of the placements tested, and a green-yellow-red "dashboard" grading scheme was established to report on the degree of compliance achieved by office as excellent, good or needs improvement. Green represents an excellent compliance score of 95% or higher, yellow represents a good compliance score of 85% to 95%, and red represents a compliance score of less than 85% or in need of improvement.

MMC randomly selected the policy placements for testing from each operating company's finance systems using sample sizes for each zone/office or practice based on the reporting needs of each operating company, where the sample sizes were determined based on a 95% confidence interval and error rates of +/- 7% or +/- 10%. The Company indicated that Mercer H&B increased its sample sizes for its US transactional monitoring during the third quarter of 2006, with sample sizes being selected for each office assuming a +/- 7% error rate, rather than being selected assuming a +/- 10% error rate. Marsh reduced its sample sizes for its US transactional monitoring during the first quarter of 2007, with sample sizes being selected for each region assuming a +/- 7% error rate, rather than being selected assuming a +/- 7% error rate for each office. Guy Carpenter's US compliance monitoring sample sizes were consistently selected assuming a +/- 7% error rate. Marsh's sample sizes were determined at the "zone" level, Mercer H&B's were determined at the "office" level, and Guy Carpenter's were determined at the "practice" level by office (i.e., treaty versus facultative).

For the first two years since MMC's transactional compliance monitoring commenced, from July 1, 2005 through June 30, 2007, MMC monitored a combined total of more than 5,000 randomly selected U.S. insurance/reinsurance placements throughout substantially all of the U.S. offices of Marsh, Mercer H&B and Guy Carpenter. The scope of MMC's international monitoring comprised more than 750 international placements.

The office-level results of such monitoring were formally reported to local and regional management of each operating company, and were summarized in formal quarterly reports for senior leadership and the Compliance Committees of each operating company. The Quarterly Reports to MMC's Compliance Committee summarize the results at the operating company level, in both narrative and dashboard form, which were then formally reported to the Board of Directors of MMC on a quarterly and annual basis, and to NYSID on an annual basis.

Overall Monitoring Results

According to the Company, by the end of the first full year of MMC's monitoring, for the quarter ended June 30, 2006, MMC's overall monitoring results revealed reasonable evidence of implementation of MMC's Transparency Standards, with room for improvement primarily relating to how to apply such standards to certain non-standard placements and specialty practices.

The Company represented that by the end of the second year of MMC's U.S. monitoring, for the quarter ended June 30, 2007, MMC's overall U.S. results improved for each of the core insurance practices of Marsh, Mercer H&B and Guy Carpenter, and for Marsh's U.S. Surety practice. The results for Marsh's U.S. Consumer business segment were not as high and efforts are underway to improve the systems and procedures for these specialty practices.

The Company also represented that MMC's international monitoring revealed that Guy Carpenter is applying the standards, and Marsh has improved their compliance scores from "needs improvement" in the third and fourth quarters of 2006 to "good" scores in the first and second quarters of 2007. Mercer H&B's international business is not within the scope of the Settlement Agreement and thus there is no need to monitor that business.

MMC Audit & Control tested the reliability of these results for selected compliance monitoring visits in the U.S. and internationally, concluding that the compliance monitoring conducted by each operating company was reliable.

Finally, the Company indicated that based on other compliance monitoring performed during the period of this Examination, no confirmed violations of the prohibitions in the Settlement Agreement relating to inappropriate contingent compensation, pay-to-play arrangements, bid rigging arrangements, reinsurance brokerage leveraging and inappropriate use of wholesalers were disclosed.

Compliance Monitoring & Reporting Process Improvements Since Mid-2005

Throughout the period since compliance monitoring of transparency began in July 2005, regular meetings were held on at least a monthly basis, between the senior compliance monitoring personnel of MMC and each operating company to collaborate on improving and ensuring consistency in their respective monitoring processes.

Effective for the first quarter of 2006 onwards, the process for calculating and reporting overall transparency scores was harmonized across all operating companies. MMC updated its Transparency Monitoring Questionnaire so it could be used across all three MMC operating companies, and the Reviewer Guides for all three operating companies were similarly updated and cross-checked for consistency and appropriateness.

MMC's Transparency Monitoring Questionnaire and the operating company Reviewer Guides were further harmonized effective the first quarter of 2007.

Commencing in the second quarter of 2006, office level results were reported to MMC's Compliance Committee in the form of office-level rankings.

C. Review and Significant Observations

1. Compliance Monitoring Testing

RSM McGladrey reviewed and evaluated the two-level structure of MMC's compliance monitoring processes. The first level consists of on-site examination and testing of employees' compliance with MMC's Transparency Policies and Procedures by compliance monitors. The second level, which is called the "Meta-Audit process," consists of examination and testing of the work of the compliance monitors by personnel from MMC Audit & Control. RSM McGladrey evaluated the

process utilized by the meta-auditors to review the compliance monitoring process, the personnel conducting each process, and the safeguards in place to ensure objectivity and accuracy. RSM McGladrey also analyzed the results of the compliance monitoring processes across each of the three MMC entities, Marsh, Mercer H&B and Guy Carpenter. Further, RSM McGladrey examined the manner in which compliance deficiencies discovered via MMC's compliance monitoring processes were addressed by MMC.

During site visits to selected offices in 2006, 2007 and 2008, RSM McGladrey observed and assessed MMC's compliance monitoring and Meta-Audit processes. The offices selected for these reviews were:

- i. Mercer H&B (Richmond, VA) on June 12-15, 2006;
- ii. Marsh (Milwaukee, WI) on June 20-22, 2006;
- iii. Guy Carpenter (Hartford, CT) on June 22-23, 2006 (no Meta-Audit review);
- iv. Marsh (Pittsburgh, PA) on November 27-30, 2007;
- v. Mercer H&B (Morristown, NJ) on December 10-13, 2007 (no Meta-Audit review); and
- vi. Guy Carpenter (Norwalk, CT) on February 6-7, 2008.

RSM McGladrey reviewed the compliance monitoring and Meta Audit reports relating to the site visits for the dates and locations identified above. In addition to these visits, a review was conducted of the procedures and testing employed by MMC compliance monitors and MMC's Audit & Control personnel.

After validating the population for completeness, a judgmental sample of the compliance monitoring reports for 2005, 2006 and 2007 office reviews was made by RSM McGladrey. Results from the sample of compliance monitoring reports were compared with the quarterly results reported to MMC's Compliance Committee and to NYSID in the Annual Report to Superintendent.

Testing was performed by RSM McGladrey on a judgmental sample of 20 office compliance monitoring reports from 2005 along with 6 office compliance monitoring reports from 2006 and the first two quarters of 2007. This test work included reviewing the supporting work papers prepared by the compliance monitors regarding these reviews. Testing procedures included the following:

- i. Reviewed the selected reports and assessed compliance monitoring and reporting practices, including the review of internal controls implemented to ensure compliance.
- ii. Reviewed selected compliance monitoring reports to determine if test results are accurately reflected in the office-level report.
- iii. Compared office-level monitoring reports with the results reported in the quarterly reports for accuracy and classification into the proper categories of findings.
- iv. Evaluated the methodology employed by MMC to grade the offices and compile the scores.

RSM McGladrey tested a judgmental sample of two Meta Audit reports and supporting work papers prepared by Audit & Control. The sample consisted of one Mercer H&B Meta Audit from the third quarter of 2006 and one Marsh Meta Audit from the second quarter of 2007. This testing was conducted to determine the thoroughness of the Meta Audit process. Testing procedures included review of the Meta Audit reports to ensure the following:

- i. Appropriate amount of coverage in regard to the number of files reviewed by Audit & Control.
- ii. Documentation of unconfirmed discrepancies between the Meta Audit and Compliance Monitoring team's results.
- iii. Documentation of Audit & Control confirmed findings in a Meta Audit report.

The review performed by RSM McGladrey found that the reporting of office compliance results is being accurately communicated through the use of compliance questionnaires, compliance reports, operating company quarterly reports, and the quarterly reports issued to the MMC Board of Directors.

2. Reviewer Guides

An analysis of the Reviewer Guides by RSM McGladrey revealed that differences still exist between the Marsh, Mercer H&B and Guy Carpenter 2007 Reviewer Guides. It is recommended that each Reviewer Guide contain guidance on Non-reviewable Files and the Confirmation Process.

3. Compliance Monitoring Testing Methodology

A review of MMC's on-site compliance monitoring testing methodology included a review of the statistical sampling methodology employed by the compliance monitors, sample size determination and the audit coverage achieved. The following issues were noted:

- Population data provided to Compliance Monitoring for purposes of drawing samples for compliance monitoring office visits does not appear to be formally reconciled to financial records to ensure it is complete and accurate before being used to select samples.
- The placements tested by Audit & Control are determined on a per compliance monitoring visit basis, based upon time available during the site visit. A consistent testing coverage approach across the business units, such as a percentage by business unit is recommended.

D. **Summary**

Testing performed to determine whether MMC had established policies and procedures to implement a compliance monitoring process in accordance with the Settlement Agreement disclosed that MMC has created a comprehensive and effective compliance monitoring program. Overall, MMC is in substantial compliance with the terms of the Settlement Agreement in relation to implementing an effective compliance monitoring process.

APPENDIX A:

Settlement Agreement

**Agreement Between the Attorney General of the State of New York and
the Superintendent of Insurance of the State of New York, and
Marsh & McLennan Companies, Inc. , Marsh Inc. and their subsidiaries and affiliates
(collectively "Marsh") dated January 30, 2005**

WHEREAS, the New York Attorney General (the "Attorney General") commenced an action against Marsh & McLennan Companies, Inc. and Marsh Inc. pursuant to Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 *et seq.*), the Martin Act (Gen. Bus. Law § 352-c) and the common law of the State of New York dated October 14, 2004 (the "Complaint"), and has conducted an investigation related thereto (the "Attorney General's Investigation");

WHEREAS, the Superintendent of Insurance of the State of New York (the "Superintendent") issued a Citation to Marsh & McLennan Companies, Inc. and certain of its subsidiaries dated October 21, 2004 and an Amended Citation dated October 25, 2004 (collectively, the "Amended Citation") pursuant to § 2110 of the Insurance Law, and has conducted an investigation related thereto (the "Superintendent's Investigation");

WHEREAS, the Attorney General and Superintendent have alleged that Marsh unlawfully deceived its clients by a) steering clients' insurance business to favored insurance companies, and b) soliciting fictitious bids in order to assure that insurance policies were placed to benefit favored insurers, as alleged in the Complaint;

WHEREAS, Marsh is cooperating with the Attorney General and Superintendent's Investigations;

WHEREAS, in the wake of the filing of the Complaint and the Amended Citation, Marsh has adopted, and under this Agreement (the "Agreement"), will continue to adopt, a

number of business reforms that will govern the conduct of Marsh's employees;

WHEREAS, the Attorney General, the Superintendent and Marsh wish to enter into this Agreement to resolve all issues related to Marsh raised in the Complaint and the Amended Citation;

WHEREAS, the Attorney General and Superintendent find the relief and agreements contained in this Agreement appropriate and in the public interest;

WHEREAS, this Agreement is entered into solely for the purpose of resolving the Complaint and Amended Citation, and is not intended to be used for any other purpose;

WHEREAS, without admitting or denying any claim in the Complaint or the assertions in the Amended Citation, Marsh is entering into this Agreement prior to any court making any findings of fact or conclusions of law pursuant to any allegations by the Attorney General or the Superintendent;

WHEREAS, neither this Agreement, nor any acts performed nor documents executed in furtherance of this Agreement, may be used as an admission of the allegations and claims contained in the Complaint and the Amended Citation;

NOW THEREFORE, Marsh, the Attorney General and the Superintendent hereby enter into this Agreement, with a statement of apology attached as Exhibit 1, and agree as follows:

MONETARY RELIEF

1. Marsh shall pay Eight Hundred Fifty Million Dollars (\$850,000,000) into a fund (the "Fund") over the next four years in four annual payments to be paid to Marsh's policyholder clients who retained Marsh to place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides. All of the money paid into the Fund and any interest earned thereon shall be paid to such policyholder clients pursuant to this Agreement. No portion of the Fund shall be considered a fine or a penalty. This sum is in full satisfaction of Marsh's obligations hereunder, and neither the Attorney General nor the Superintendent shall seek to impose on Marsh any other financial obligation or liability related to the Complaint or the Amended Citation.
2. Marsh shall A) by April 30, 2005 calculate, in accordance with a formula approved by the Attorney General, the amount of money each of the U.S. policyholder clients who retained Marsh to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 through December 31, 2004 (the "Relevant Period") is eligible to receive; B) within ten (10) days of completing these calculations, file a report with the Attorney General and the Superintendent, certified by an officer of Marsh, setting forth: i) each client's name and address; ii) the client's insurer(s), product line(s) and policy(ies) purchased and policy number(s); iii) the amount the client paid in premiums or consulting fees for each such policy; iv) for each such policy, the amount of contingent commission or override revenue recorded by Marsh during the Relevant Period attributable to that policy, in accordance with a calculation approved by the Attorney General and

the Superintendent; and v) the amount of contingent commission or override revenue each client is eligible to receive for each such policy and in the aggregate for all such policies pursuant to this Agreement; and C) by May 20, 2005, send a notice, subject to the approval of the Attorney General and the Superintendent, to each client eligible to be paid from the Fund, setting forth items ii) through v), above, and stating that the amount paid may increase if there is less than full participation by eligible clients in the Fund. For the purposes of this paragraph, "U.S. policyholder clients" means U.S.-domiciled policyholder clients and policyholder clients who retained Marsh's U.S. offices to place, renew, consult on or service insurance.

3. Clients eligible to receive a distribution from the Fund shall have until September 20, 2005 to request a distribution. Eligible clients who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 2. In the event that any eligible client elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Marsh to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to ¶ 2 above; nor shall the total payments from the Fund to any Non-participating Policyholder exceed 80% of that Non-participating Policyholder's original allocated share. If any funds remain in the fund as of June 20, 2008, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

4. In no event shall any of the funds in the Fund be used to pay attorney fees.

5. Marsh shall pay \$255,000,000 into the Fund on or before June 1, 2005. Marsh shall pay \$255,000,000 into the Fund on or before June 1, 2006. Marsh shall pay \$170,000,000 into the Fund on or before June 1, 2007. Marsh shall pay \$170,000,000 into the Fund on or before June 1, 2008.

6. On November 1, 2005, June 30, 2006, June 30, 2007, and June 30, 2008, Marsh shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General and the Superintendent. Within forty-five (45) days of each payment from the fund, Marsh shall file a report with the Attorney General and the Superintendent, certified by an officer of Marsh, listing all amounts paid from the Fund.

BUSINESS REFORMS

7. Within sixty (60) days of the effective date of this Agreement, Marsh shall undertake the following business reforms.

A. Permissible Forms of Compensation

8. In connection with its insurance brokerage, agency, producing, consulting and other services in placing, renewing, consulting on or servicing any insurance policy, Marsh shall accept only: a specific fee to be paid by the client; a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; or a combination of both. Marsh shall accept no such commissions unless, before the binding of any such policy: (a) Marsh in plain, unambiguous written language fully discloses such commissions, in either dollars or percentage amounts; and (b) the client consents in writing. Nothing in this

paragraph relieves Marsh of complying with additional requirements imposed by law, including the requirements for written documentation relating to fees paid directly by clients. Marsh may not retain interest earned on premiums collected on behalf of insurers without prior notification to the client, and only when such retention is consistent with the requirements of, and is permitted by, applicable law.

9. Marsh shall not hereafter, except as set forth in ¶ 8, above, directly or indirectly accept or request any thing of material value from an insurance company including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses (hereinafter collectively "Compensation").

B. Prohibition of Contingent Compensation

10. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any Contingent Compensation. For purposes of this Agreement, Contingent Compensation is any Compensation contingent upon Marsh's: a) placing a particular number of policies or dollar value of premium with the insurer, b) achieving a particular level of growth in the number of policies placed or dollar value of premium with the insurer, c) meeting a particular rate of retention or renewal of policies in force with the insurer, d) placing or keeping sufficient insurance business with the insurer to achieve a particular loss ratio or any other measure of profitability, e) providing preferential treatment in the placement process, including but not limited to the giving of last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements, or f) obtaining anything else of material value for the insurer.

C. Prohibition of "Pay-To-Play" Arrangements

11. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any Compensation in connection with Marsh's selection of insurance companies from which to solicit bids for its clients.

D. Prohibition of "Bid-Rigging" Arrangements

12. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly knowingly accept from or request of any insurer any false, fictitious, inflated, artificial, "B" or "throw away" quote or indication, or any other quote or indication except for a quote or indication that represents the insurer's best evaluation at the time when the quote or indication is given of the minimum premium the insurer would require to bind the insurance coverage desired by Marsh's client. Nothing herein shall preclude Marsh from accepting or requesting any bona fide quote or indication.

E. Prohibition of Reinsurance Brokerage "Leveraging"

13. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any promise or commitment to use any of Marsh's brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in ¶ 10 a) - f), above.

F. Prohibition of Inappropriate Use of Wholesalers

14. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly knowingly place, renew, consult on or service its clients' insurance business through a wholesale broker unless agreed to by the client after full disclosure of a) the Compensation

received or to be received by Marsh, b) any Marsh interest in or contractual agreement with the wholesaler, and c) any alternatives to using a wholesaler.

G. Mandated Disclosures to Clients

15. Marsh in placing, renewing, consulting on or servicing any insurance policy shall in writing: a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Marsh in connection with the coverage of the client's risk with all terms, including but not limited to any Marsh interest in or contractual agreements with any of the prospective insurers, and all Compensation to be received by Marsh for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client; b) provide disclosure to each client and obtain written consent in accordance with ¶ 8 of this Agreement for each client, and c) disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client's policy.

H. Standards of Conduct and Training

16. Marsh shall implement company-wide written standards of conduct regarding Compensation from insurers, consistent with the terms of this Agreement, subject to approval of the Superintendent, which implementation shall include, inter alia, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, anti-trust and trade practices compliance, and record keeping.

17. Marsh shall not place its own financial interest ahead of its clients' interests in determining the best available insurance product or service for its clients. Marsh shall communicate with its clients in sufficient detail to enable them to make informed choices on insurance products or services, and shall provide complete and accurate information to prospective and current clients on all proposals and bids received from insurers, including the amount of Compensation or other things of value that were or will be paid to Marsh by each insurer.

J. Prohibition Against Violating New York Law

18. Marsh shall not directly or indirectly engage or attempt to engage in violations of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 et seq.), and the Martin Act (Gen. Bus. Law § 352-c).

K. Limitation on Extraterritorial Effect

19. The provisions of paragraphs 7 through 17 shall apply only to those Marsh entities that (1) service clients domiciled in the United States; (2) place, renew, consult on or provide services for policies covering risks in the United States; or (3) are, themselves, domiciled in the United States.

MONITORING COMPLIANCE AND REPORTING

20. Marsh shall establish a Compliance Committee of the Board of Directors of Marsh and McLennan Companies, Inc. which shall monitor Marsh's compliance with the standards of conduct regarding Compensation from insurers and shall report on a quarterly basis to the Board of Directors the results of its monitoring activities for a period of five (5) years from the effective date of this Agreement.

21. Marsh shall maintain a record of all complaints received concerning any Compensation from an insurer which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee's quarterly report and to the Superintendent annually commencing from the effective date of this Agreement.

22. The Board of Directors of Marsh & McLennan Companies, Inc. shall file annual reports with the Superintendent on compliance with the standards of conduct regarding Compensation arrangements for five (5) years commencing in December 2005, which shall also include the amount of each form of Compensation received by Marsh from each insurer with which it placed insurance during the preceding year.

COOPERATION WITH THE SUPERINTENDENT

23. Marsh shall be subject to annual examination by the Superintendent for five (5) years at Marsh's expense beginning in 2005. Marsh shall fully cooperate with the Superintendent in such examinations. Marsh shall additionally provide private, secure office space, photocopying equipment and any other administrative or clerical resources necessary to assist in any examination,

as well as all relevant data, provided upon request by the Superintendent in electronic or computerized format. The Superintendent may coordinate such examinations with other states.

COOPERATION WITH THE ATTORNEY GENERAL

24. Marsh shall fully and promptly cooperate with the Attorney General with regard to his Investigation, and related proceedings and actions, of any other person, corporation or entity, including but not limited to Marsh's current and former employees, concerning the insurance industry. Marsh shall use its best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Attorney General in his Investigation and related proceedings and actions. Cooperation shall include without limitation: (1) production voluntarily and without service of subpoena of any information and all documents or other tangible evidence reasonably requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General reasonably requests be prepared; (2) without the necessity of a subpoena, having Marsh's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by the Attorney General and having such persons answer any and all inquiries that may be put by the Attorney General (or any of the Attorney General's deputies, assistants or agents) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (3) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries reasonably made by the Attorney General concerning any fraudulent or criminal conduct whatsoever about which it has any knowledge or information; (4) in the event any document is withheld or redacted on grounds

of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Marsh indicating: a) the type of document; b) the date of the document; c) the author and recipient of the document; d) the general subject matter of the document; e) the reason for withholding the document; and f) the Bates number or range of the withheld document. The Attorney General may challenge such claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by Marsh, its officers, directors, employees, or agents; and (5) Marsh shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the Attorney General. Nothing herein shall prevent Marsh from providing such evidence to other regulators, or as otherwise required by law.

25. Marsh shall comply fully with the terms of this Agreement. If Marsh violates the terms of ¶ 24 in any material respect, as determined solely by the Attorney General: (1) the Attorney General may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (2) as to any criminal prosecution brought by the Attorney General for violation of law committed within six years prior to the date of this Agreement or for any violation committed on or after the date of this Agreement, Marsh shall waive any claim that such prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

OTHER PROVISIONS

26. The Superintendent may take regulatory action to enforce this Agreement. The

Superintendent may investigate or take regulatory action against any current or former Marsh employee who is licensed by the Superintendent.

27. Marsh shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Agreement.

28. The Attorney General will promptly file a Notice Discontinuing Action with Prejudice, in the form attached hereto as Exhibit 3, voluntarily dismissing the Complaint with prejudice, and will not initiate a new case against Marsh related to the matters set forth in the Complaint or uncovered to date by the Attorney General's Investigation.

29. The Superintendent will promptly discontinue the administrative proceeding commenced by the Amended Citation with prejudice, pursuant to a Stipulation to be executed contemporaneously herewith in the form attached hereto as Exhibit 4, and will not initiate a new administrative proceeding against Marsh related to the matters set forth in the Amended Citation or uncovered to date by the Superintendent's Investigation.

30. This Agreement is not intended to disqualify Marsh, or any current employees of Marsh, from engaging in any business in New York or in any other jurisdiction. Nothing in this Agreement shall relieve Marsh's obligations imposed by any applicable state insurance law or regulations or other applicable law.

31. This Agreement shall not confer any rights upon any persons or entities besides the Attorney General, the Superintendent and Marsh.

32. Marsh shall maintain custody of, or make arrangements to have maintained, all

documents and records of Marsh related to this matter for a period of not less than six (6) years.

33. The Attorney General of the State of New York may make such application as appropriate to enforce or interpret the provisions of this Agreement, or in the alternative, maintain any action, either civil or criminal, for such other and further relief as the Attorney General may determine is proper and necessary for the enforcement of this Agreement. If compliance with any aspect of this Agreement proves impracticable, Marsh reserves the right to request that the parties modify the Agreement accordingly.

34. In any application or in any such action, facsimile transmission of a copy of any papers to current counsel for Marsh shall be good and sufficient service on Marsh unless Marsh designates, in a writing to the Attorney General, another person to receive service by facsimile transmission.

35. Facsimile transmission of a copy of this Agreement to counsel for each defendant shall be good and sufficient service on Marsh.

36. This Agreement shall be governed by the laws of the State of New York without regard to conflict of laws principles.

37. This Agreement may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 30th day of
January, 2005.

ELIOT SPITZER, ESQ.



Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

HOWARD MILLS

Acting Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

DAVIS POLK & WARDWELL

By: _____
Robert B. Fiske, Jr. Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Attorneys for Marsh &
McLeonan Companies, Inc.

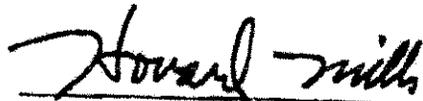
Attorneys for Marsh Inc.

WHEREFORE, the following signatures are affixed hereto on this 30th day of
January, 2005.

ELIOT SPITZER, ESQ.

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

HOWARD MILLS



Acting Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

DAVIS POLK & WARDWELL

By: _____
Robert B. Fiske, Jr. Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Attorneys for Marsh &
McLennan Companies, Inc.

Attorneys for Marsh Inc.

WHEREFORE, the following signatures are affixed hereto on this 30th day of
January, 2005.

ELIOT SPITZER, ESQ.

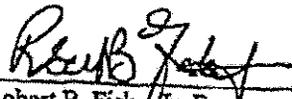
HOWARD MILLS

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

Acting Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

DAVIS POLK & WARDWELL

By:



Robert B. Fiske, Jr. Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Attorneys for Marsh &
McLennan Companies, Inc.

Attorneys for Marsh Inc.

EXHIBIT 1

"MARSH INC. WOULD LIKE TO TAKE THIS OPPORTUNITY TO APOLOGIZE FOR THE CONDUCT THAT LED TO THE ACTIONS FILED BY THE NEW YORK STATE ATTORNEY GENERAL AND SUPERINTENDENT OF INSURANCE. THE RECENT ADMISSIONS BY FORMER EMPLOYEES OF MARSH AND OTHER COMPANIES HAVE MADE CLEAR THAT CERTAIN MARSH EMPLOYEES UNLAWFULLY DECEIVED THEIR CUSTOMERS. SUCH CONDUCT WAS SHAMEFUL, AT ODDS WITH MARSH'S STATED POLICIES AND CONTRARY TO THE VALUES OF MARSH'S TENS OF THOUSANDS OF OTHER EMPLOYEES.

IN RESPONSE, WE HAVE TAKEN PROMPT, CORRECTIVE ACTION AND IMPLEMENTED A SERIES OF BUSINESS AND CORPORATE GOVERNANCE REFORMS. THE EMPLOYEES OF MARSH INC. ASK OUR CLIENTS AND OTHERS TO ALLOW US THE OPPORTUNITY TO REGAIN THEIR TRUST."

EXHIBIT 2

GENERAL RELEASE

This RELEASE (the "Release") is executed this ____ day of _____, 2005 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to [fill in name _____] and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to Marsh & McLennan Companies, Inc. and any of its subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Marsh").

"AGREEMENT" refers to a certain agreement between Marsh and the Attorney General of the State of New York ("NYAG") and the Superintendent of Insurance of the State of New York ("NYSI") dated February ____, 2005, relating to an action commenced against Marsh by NYAG dated October 14, 2004 captioned The People of the State of New York against Marsh & McLennan Companies, Inc. and Marsh Inc., Index No. 04/403342, and an investigation by NYAG relating to same (the "Complaint"), and a Citation and Amended Citation captioned In the Matter of Marsh & McLennan Companies, Inc. et. al., (Amended Citation No. 2004-0123-C), issued to Marsh by NYSI on October 21, 2004 and October 25, 2004, respectively, and an investigation by NYSI relating to same (collectively, the "Amended Citation").

RELEASE

1. In consideration for the total payment of \$_____ in accordance with the terms of the Agreement, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the Complaint, the Amended Citation, except for claims which are based upon, arise out of or relate to the purchase or sale of Marsh securities.

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Marsh in connection with any claims that RELEASOR may assert against Marsh, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Marsh.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs. Any disputes arising out of or related to this RELEASE shall be

subject to the exclusive jurisdiction of the Supreme Court of the State of New York or, to the extent federal jurisdiction exists, the United States District Court for the Southern District of New York.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

Dated: _____

RELEASOR: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 4

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

----- X

THE PEOPLE OF THE STATE OF NEW YORK :
by ELIOT SPITZER, Attorney General of :
the State of New York, :
Plaintiff, :

Index No. 04/403342

-- against -- :
MARSH & McLENNAN COMPANIES, INC. :
and MARSH INC., :
Defendants. :

NOTICE
DISCONTINUING
ACTION WITH PREJUDICE

----- X

PLEASE TAKE NOTICE that, pursuant to CPLR § 3217(a) and the agreement annexed hereto, plaintiff hereby discontinues this action with prejudice as of this date without costs to either party against the other.

Dated: New York, New York

[date]

ELIOT SPITZER,
Attorney General of the State of New York

By:

David D. Brown, IV
Assistant Attorney General
120 Broadway
New York, NY 10271
(212) 416-8198

Attorney for Plaintiff

To: Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036.

Marsh Inc.
1166 Avenue of the Americas
New York, New York 10036.

WHEREFORE, the following signatures are affixed hereto this _____ day of January, 2005.

Marsh & McLennan Companies, Inc.

By: _____

Marsh Inc.

By: _____

Eliot Spitzer, Attorney General
of the State of New York

By: _____

EXHIBIT 4



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

-----X
In the Matter of

**MARSH & McLENNAN COMPANIES, INC.,
MARSH, INC., MARSH PLACEMENT INC.**
(formerly known as Marsh Global Broking
Inc.), **MARSH USA INC., MARSH USA (ALASKA),
MARSH USA (CONNECTICUT), MARSH USA
(MASSACHUSETTS), MARSH USA (MICHIGAN),
MARSH USA (NEVADA), MARSH USA (OHIO),
MARSH USA (PENNSYLVANIA), MARSH USA
(TEXAS), MARSH USA (UTAH), MARSH
INSURANCE AGENCY & INVESTMENTS and
SEABURY & SMITH INC.,**

**STIPULATION
No. 2004-0123-C**

Respondents.
-----X

WHEREAS, Marsh Placement Inc. (formerly known as Marsh Global Broking Inc.) is licensed as a broker under Section 2104 of the New York Insurance Law ("Insurance Law") and as an excess line broker under Section 2105 of the Insurance Law; Marsh USA Inc. is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Alaska) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Connecticut) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Massachusetts) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Michigan) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Nevada) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Ohio) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Pennsylvania) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103 (a) and (b) of the Insurance Law, and as a life broker under Section 2104(b)(1)(A) of the Insurance Law; Marsh USA (Utah) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Texas) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh Insurance Agency & Investments is licensed as an agent under Section 2103(a) of the Insurance Law; Seabury & Smith Inc. is licensed as a broker under Section 2104 of

the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103(a) and (b) of the Insurance Law, and as an independent adjuster under Section 2108 of the Insurance Law; and Marsh Inc. is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, all of the foregoing Respondents are wholly owned subsidiaries of Respondent Marsh & McLennan Companies, Inc., which is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, on or about October 14, 2004, the Attorney General of the State of New York commenced a civil action in the Supreme Court of the State of New York, County of New York, *The People of the State of New York v. Marsh & McLennan Companies, Inc., et al.*, Index No. 04-403342 (the "Civil Action"), charging Respondents Marsh & McLennan Companies, Inc. and Marsh Inc. with fraudulent and anti-competitive practices in connection with the brokering of insurance business in violation of the New York Executive Law, the General Business Law and common law; and

WHEREAS, the Civil Action has been resolved pursuant to an Agreement Between the Attorney General of the State of New York, the Superintendent of Insurance and Marsh & McLennan Companies, Inc. and Marsh Inc., dated January 30, 2005 ("Settlement Agreement"), a copy of which is annexed hereto; and

WHEREAS, the attached Amended Citation, dated October 25, 2004, charging the Respondents with having used fraudulent, coercive and/or dishonest practices, having demonstrated untrustworthiness, violating Section 340 of the General Business Law, and having engaged in determined violations of the Insurance Law, was duly served on the Respondents; and

WHEREAS, Respondents have been advised and are aware of their statutory right to notice and a hearing on said charges; and

WHEREAS, Respondents desire to resolve said charges by entering into a Stipulation on the terms and conditions hereinafter set forth in lieu of proceeding with a hearing in this matter; NOW THEREFORE,

IT IS HEREBY STIPULATED AND AGREED by and between the Respondents and the New York State Insurance Department ("Department"), subject to the approval of the Superintendent of Insurance, as follows:

1. Respondents waive their right to further notice and hearing in this matter, and agree to fully comply with all of the terms and conditions of the Settlement Agreement.
2. Respondents agree to cooperate fully in all Department examinations of Respondents and in all Department investigations of current or former employees of Respondents or licensees of the Department.
3. Respondents acknowledge that this Stipulation may be used against them in any future Department proceeding if there is reason to believe the terms of the Settlement Agreement or this Stipulation have been violated by Respondents, or if the Department institutes disciplinary action against any Respondent for any reason other than the acts considered herein.
4. The proceeding initiated by the attached Amended Citation is hereby resolved and discontinued by the Department.

Dated: New York, NY
January , 2005

NEW YORK STATE INSURANCE DEPARTMENT

By: _____
Jon G. Rothblatt
Principal Attorney

MARSH & McLENNAN COMPANIES, INC.,
MARSH, INC., MARSH PLACEMENT INC.
(formerly known as Marsh Global Broking
Inc.), MARSH USA INC., MARSH USA (ALASKA),
MARSH USA (CONNECTICUT), MARSH USA
(MASSACHUSETTS), MARSH USA (MICHIGAN),
MARSH USA (NEVADA), MARSH USA (OHIO),
MARSH USA (PENNSYLVANIA), MARSH USA
(TEXAS), MARSH USA (UTAH), MARSH
INSURANCE AGENCY & INVESTMENTS and
SEABURY & SMITH INC.,

By: _____
Name:
Title:

STATE OF NEW YORK)
)ss.:
COUNTY OF)

On this day of January, 2005, before me personally came

, to me known, who, being by me duly sworn, did depose
and say that he/she resides at
; that he/she is the
Marsh & McLennan Companies Inc., the corporation described in and which executed the above instrument

In the Matter of Marsh & McLennan Companies, Inc., *et al.*

Page 24

on behalf of each of the entities listed above; and that he/she signed his/her name thereto by order of the board of directors of said corporation.

Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, NY
 January , 2005

 HOWARD MILLS
 Acting Superintendent of Insurance

By: _____
 Audrey Samers
 Deputy Superintendent & General Counsel

APPENDIX B:

Stipulation



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

-----X
In the Matter of

**MARSH & McLENNAN COMPANIES, INC.,
MARSH, INC., MARSH PLACEMENT INC.
(formerly known as Marsh Global Broking
Inc.), MARSH USA INC., MARSH USA (ALASKA),
MARSH USA (CONNECTICUT), MARSH USA
(MASSACHUSETTS), MARSH USA (MICHIGAN),
MARSH USA (NEVADA), MARSH USA (OHIO),
MARSH USA (PENNSYLVANIA), MARSH USA
(TEXAS), MARSH USA (UTAH), MARSH
INSURANCE AGENCY & INVESTMENTS and
SEABURY & SMITH INC.,**

**STIPULATION
No. 2004-0123-C**

Respondents.
-----X

WHEREAS, Marsh Placement Inc. (formerly known as Marsh Global Broking Inc.) is licensed as a broker under Section 2104 of the New York Insurance Law ("Insurance Law") and as an excess line broker under Section 2105 of the Insurance Law; Marsh USA Inc. is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Alaska) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Connecticut) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Massachusetts) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Michigan) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Nevada) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Ohio) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Pennsylvania) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103 (a) and (b) of the Insurance Law, and as a life broker under Section 2104(b)(1)(A) of the Insurance Law; Marsh USA (Utah) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Texas) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh Insurance Agency & Investments is licensed as an agent under Section 2103(a) of the Insurance Law; Seabury & Smith Inc. is licensed as a

broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103(a) and (b) of the Insurance Law, and as an independent adjuster under Section 2108 of the Insurance Law; and Marsh Inc. is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, all of the foregoing Respondents are wholly owned subsidiaries of Respondent Marsh & McLennan Companies, Inc., which is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, on or about October 14, 2004, the Attorney General of the State of New York commenced a civil action in the Supreme Court of the State of New York, County of New York, *The People of the State of New York v. Marsh & McLennan Companies, Inc., et al.*, Index No. 04-403342 (the "Civil Action"), charging Respondents Marsh & McLennan Companies, Inc. and Marsh Inc. with fraudulent and anti-competitive practices in connection with the brokering of insurance business in violation of the New York Executive Law, the General Business Law and common law; and

WHEREAS, the Civil Action has been resolved pursuant to an Agreement Between the Attorney General of the State of New York, the Superintendent of Insurance and Marsh & McLennan Companies, Inc. and Marsh Inc., dated January 30, 2005 ("Settlement Agreement"), a copy of which is annexed hereto; and

WHEREAS, the attached Amended Citation, dated October 25, 2004, charging the Respondents with having used fraudulent, coercive and/or dishonest practices, having demonstrated untrustworthiness, violating Section 340 of the General Business Law, and having engaged in determined violations of the Insurance Law, was duly served on the Respondents; and

WHEREAS, Respondents have been advised and are aware of their statutory right to notice and a hearing on said charges; and

WHEREAS, Respondents desire to resolve said charges by entering into a Stipulation on the terms and conditions hereinafter set forth in lieu of proceeding with a hearing in this matter; NOW THEREFORE,

IT IS HEREBY STIPULATED AND AGREED by and between the Respondents and the New York State Insurance Department ("Department"), subject to the approval of the Superintendent of Insurance, as follows:

1. Respondents waive their right to further notice and hearing in this matter, and agree to fully comply with all of the terms and conditions of the Settlement Agreement.
2. Respondents agree to cooperate fully in all Department examinations of Respondents and in all Department investigations of current or former employees of Respondents or licensees of the Department.

3. Respondents acknowledge that this Stipulation may be used against them in any future Department proceeding if there is reason to believe the terms of the Settlement Agreement or this Stipulation have been violated by Respondents, or if the Department institutes disciplinary action against any Respondent for any reason other than the acts considered herein.

4. The proceeding initiated by the attached Amended Citation is hereby resolved and discontinued by the Department.

Dated: New York, NY
January 30, 2005

NEW YORK STATE INSURANCE DEPARTMENT

By:



Jon G. Rothblatt
Principal Attorney

MARSH & McLENNAN COMPANIES, INC.,
MARSH, INC., MARSH PLACEMENT INC.
(formerly known as Marsh Global Broking
Inc.), MARSH USA INC., MARSH USA (ALASKA),
MARSH USA (CONNECTICUT), MARSH USA
(MASSACHUSETTS), MARSH USA (MICHIGAN),
MARSH USA (NEVADA), MARSH USA (OHIO),
MARSH USA (PENNSYLVANIA), MARSH USA
(TEXAS), MARSH USA (UTAH), MARSH
INSURANCE AGENCY & INVESTMENTS and
SEABURY & SMITH INC.,

By:



Name: Michael Cherkasky
Title: CEO

In the Matter of Marsh & McLennan Companies, Inc., et al.

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On this *30th* day of January, 2005, before me personally came

Michael Cherlucky works, to me known, who, being by me duly sworn, did depose and say that he/she resides at *1166 Avenue of the Americas, New York, New York*; that he/she is the *Chief Executive Officer* of Marsh & McLennan Companies Inc., the corporation described in and which executed the above instrument on behalf of each of the entities listed above; and that he/she signed his/her name thereto by order of the board of directors of said corporation.

ELIZABETH KROB KELLNER
Notary Public, State of New York
No. 01KE4853071
Qualified in New York County
Commission Expires December 24, 20 05

Elizabeth Krob Kellner
Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, NY
January *31*, 2005

HOWARD MILLS
Acting Superintendent of Insurance

By: *Audrey Samers*
Audrey Samers
Deputy Superintendent & General Counsel

APPENDIX C:

Amendments to the Settlement Agreement and Stipulation

Amendment No. 1

To agreement between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates (collectively "Marsh") dated January 30, 2005

The parties to the above captioned Agreement (the "Agreement"), for good and valuable consideration, hereby agree to the following amendments to the Agreement:

Paragraph 8 is amended by inserting in clause (b), the word "U.S." after the word "the" and before the word "client" such that it now reads, in relevant part: "(b) the U.S. client consents in writing. ..." ;

Paragraph 19 is amended and restated in its entirety to read as follows:

- "K. Limitation on Extraterritorial Effect
19. The provisions of paragraphs 7 through 9 and 11 through 17 shall apply to all Marsh entities that are domiciled in the United States. In addition, with respect to those Marsh entities not domiciled in the United States, said provisions shall apply only to (a) all insurance policy placement, renewal, consultation, or servicing performed for any client domiciled in the United States, and (b) all insurance policy placement, renewal, consultation, or servicing associated with covering property or operations situated in the United States, irrespective of client domicile. Paragraph 10 shall apply to all Marsh entities worldwide."

This Amendment No. 1 has been executed on the date or dates set forth below, but shall be effective on the effective date of the Agreement.

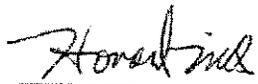
As hereby amended, the Agreement remains in full force and effect. This amendment may be executed in counterparts.

In Witness Whereof, the parties have caused this Amendment to be signed by their authorized representatives on this 27 day of April, 2005.

Eliot Spitzer, Esq.

Howard Mills

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271



Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Amendment No. 1
To agreement between the Attorney General of the State of New York and the Superintendent of
Insurance of the State of New York, and
Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates
(collectively "Marsh") dated January 30, 2005

The parties to the above captioned Agreement (the "Agreement"), for good and valuable consideration, hereby agree to the following amendments to the Agreement:

Paragraph 8 is amended by inserting in clause (b), the word "U.S." after the word "the" and before the word "client" such that it now reads, in relevant part: "(b) the U.S. client consents in writing. ..." ;

Paragraph 19 is amended and restated in its entirety to read as follows:

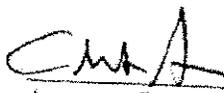
- "K. Limitation on Extraterritorial Effect
19. The provisions of paragraphs 7 through 9 and 11 through 17 shall apply to all Marsh entities that are domiciled in the United States. In addition, with respect to those Marsh entities not domiciled in the United States, said provisions shall apply only to (a) all insurance policy placement, renewal, consultation, or servicing performed for any client domiciled in the United States, and (b) all insurance policy placement, renewal, consultation, or servicing associated with covering property or operations situated in the United States, irrespective of client domicile. Paragraph 10 shall apply to all Marsh entities worldwide."

This Amendment No. 1 has been executed on the date or dates set forth below, but shall be effective on the effective date of the Agreement.

As hereby amended, the Agreement remains in full force and effect. This amendment may be executed in counterparts.

In Witness Whereof, the parties have caused this Amendment to be signed by their authorized representatives on this 2nd day of April, 2005.

Eliot Spitzer, Esq.

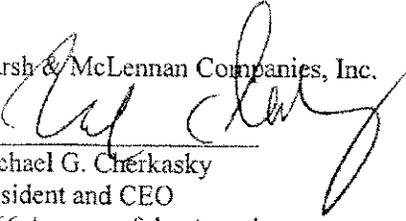


Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

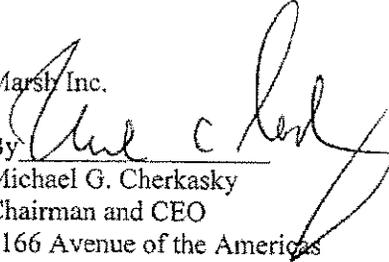
Howard Mills

Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Marsh & McLennan Companies, Inc.

By 
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

Marsh Inc.

By 
Michael G. Cherkasky
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

**AMENDMENT #2 TO
AGREEMENT BETWEEN THE ATTORNEY GENERAL OF THE STATE OF NEW
YORK AND THE SUPERINTENDENT OF INSURANCE OF THE STATE OF NEW
YORK, AND MARSH & McLENNAN COMPANIES, INC., MARSH, INC. AND THEIR
SUBSIDIARIES AND AFFILIATES (collectively "MARSH") DATED JANUARY 30, 2005
(hereinafter, the "Settlement Agreement")**

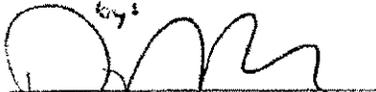
WHEREAS, the parties have agreed to amend the Settlement Agreement to clarify its application to certain Marsh businesses and practices;

NOW THEREFORE, the parties agree that the Settlement Agreement shall be clarified and amended as follows:

If The Schinnerer Group, Inc. or Price Forbes Limited (UK) or any of their direct or indirect subsidiaries are no longer directly or indirectly owned by Marsh as of October 31, 2005, then such entity or entities which are no longer owned by Marsh shall not be subject the requirements of the Settlement Agreement. If The Schinnerer Group, Inc. or Price Forbes Limited (UK) or any of their direct or indirect subsidiaries remain directly or indirectly owned by Marsh on October 31, 2005, then the provisions of the Settlement Agreement shall continue to apply to such entity or entities, even if sold at a later date.

WHEREFORE, the following signatures are affixed hereto on this 27th day of September, 2005.

ELIOT SPITZER


Attorney General of the
State of New York
120 Broadway, 25th Floor
New York, NY 10271

HOWARD MILLS


Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004
Dept Supt & General Counsel

Marsh & McLennan Companies, Inc.


Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

Marsh Inc.


Michael G. Cherkasky
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

Amendment No. 3
to Agreement between the Attorney General of the State of New York and the Superintendent of
Insurance of the State of New York, and
Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates
(collectively, "Marsh") dated January 30, 2005, as amended
(hereinafter, the "Settlement Agreement")

WHEREAS, the parties recognize that part of Marsh's business is to act as a managing general agent or underwriting manager for insurance carriers; and

WHEREAS, the parties have agreed to amend the Settlement Agreement to clarify the permissible means by which Marsh may act and be compensated as a managing general agent or underwriting manager;

NOW, THEREFORE, the parties hereby agree that the Settlement Agreement shall be clarified and amended as follows:

1. Paragraph 8 of the Settlement Agreement is hereby amended, such that the following shall be added after the second sentence of Paragraph 8:

"The parties agree that the preceding two sentences shall not apply to MGA Compensation, which Marsh may receive when and to the extent it acts as an MGA. As used herein,

(a) Marsh shall be acting as an "MGA" when: (i) Marsh has been appointed by an insurer as a managing general agent or an underwriting manager, to be the insurer's representative in connection with the management of such insurer's book of business with respect to a specific product or product line; and (ii) in such capacity, Marsh (A) communicates with prospective insureds only through professional insurance brokers (including those units of Marsh which act in such capacity on behalf of insureds), and (B) places all such business for such product or product line only with and for such insurer, and

(b) "MGA Compensation" means the Compensation Marsh receives from the appointing insurer as consideration for the MGA services Marsh renders to such insurer."

2. Paragraph 10 of the Settlement Agreement is hereby amended, such that the following sentence shall be added at the conclusion thereof:

"The parties agree that this Paragraph shall not apply to MGA Compensation."

3. Clause (a) of the first sentence of Paragraph 14 of the Settlement Agreement is hereby deleted, and the following shall be added in its place and stead:

“a) the Compensation received or to be received by Marsh (other than MGA Compensation),”

4. Paragraph 15 of the Settlement Agreement is hereby amended, such that the following sentence shall be added at the conclusion thereof:

“The parties agree that this Paragraph shall not apply to MGA Compensation.”

5. Other than as amended above, the Settlement Agreement shall remain in full force and effect.
6. This amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 17th day of August, 2006.

Eliot Spitzer



Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

Howard Mills

Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Marsh & McLennan Companies, Inc.

Marsh Inc.

By _____
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

By _____
Brian M. Storms
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

3. Clause (a) of the first sentence of Paragraph 14 of the Settlement Agreement is hereby deleted, and the following shall be added in its place and stead:

“a) the Compensation received or to be received by Marsh (other than MGA Compensation),”

4. Paragraph 15 of the Settlement Agreement is hereby amended, such that the following sentence shall be added at the conclusion thereof:

“The parties agree that this Paragraph shall not apply to MGA Compensation.”

5. Other than as amended above, the Settlement Agreement shall remain in full force and effect.
6. This amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 17th day of August, 2006.

Eliot Spitzer

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

Howard Mills

by
Award Donnellan, Dep Supt + General Counsel
Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Marsh & McLennan Companies, Inc.

By _____
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

Marsh Inc.

By _____
Brian M. Storms
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

3. Clause (a) of the first sentence of Paragraph 14 of the Settlement Agreement is hereby deleted, and the following shall be added in its place and stead:

“a) the Compensation received or to be received by Marsh (other than MGA Compensation),”

4. Paragraph 15 of the Settlement Agreement is hereby amended, such that the following sentence shall be added at the conclusion thereof:

“The parties agree that this Paragraph shall not apply to MGA Compensation.”

5. Other than as amended above, the Settlement Agreement shall remain in full force and effect.
6. This amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 17th day of August, 2006.

Eliot Spitzer

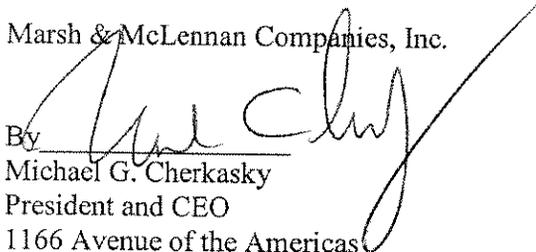
Howard Mills

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004

Marsh & McLennan Companies, Inc.

Marsh Inc.

By 
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

By 
Brian M. Storms
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

Amendment No.4
to Agreement between the Attorney General of the State of New York and the
Superintendent of
Insurance of the State of New York, and
Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates
(collectively, "Marsh") dated January 30, 2005, as amended
(hereinafter, the "Settlement Agreement")

WHEREAS, pursuant to paragraph 33 of the Settlement Agreement, the parties recognize that Marsh has the right to request that the parties modify the Agreement if compliance with any aspect of this Agreement proves impracticable; and

WHEREAS, the parties have agreed to amend the Settlement Agreement to permit Marsh to engage in certain business practices, consistent with the terms and conditions of this Agreement;

NOW, THEREFORE, the parties hereby agree that the Settlement Agreement shall be clarified and amended as follows:

1. Paragraph 8 of the Settlement Agreement is hereby amended, such that the first and second sentences shall be amended to read as follows:

“In connection with its insurance brokerage, agency, producing, consulting and other services in placing, renewing, consulting on or servicing any insurance policy, Marsh shall accept only: a specific fee to be paid by the client; a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; a specific fee for service(s) to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; or a combination of fee and commission. Marsh shall accept no such commissions or fees unless, before the binding of any such policy, or provision of any such service: (a) Marsh in plain, unambiguous written language fully discloses such commissions or fees in either dollars or percentage amounts, and the specific nature of each service for which fees are to be received; and (b) the U.S. client consents in writing.”

2. Paragraph 15 of the Settlement Agreement is hereby amended in its entirety to read as follows:

“15. Marsh in placing, renewing, consulting on or servicing any insurance policy shall in writing: a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Marsh in connection with the coverage of the client's risk with all terms, including but not limited to any Marsh interest in or contractual agreements with any of the prospective

insurers, and all Compensation to be received by Marsh for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client; b) provide disclosure to each client and obtain written consent in accordance with ¶ 8 of this Agreement for each client and (c) disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client's policy, provided that the Superintendent and the Attorney General may modify or limit such annual disclosure requirements in order to reduce unreasonable administrative burden upon Marsh. The parties agree that this Paragraph shall not apply to MGA Compensation."

3. Paragraph 22 of the Settlement Agreement is hereby amended in its entirety to read as follows:

"22. The Board of Directors of Marsh & McLennan Companies, Inc. shall file annual reports with the Superintendent on compliance with the standards of conduct regarding Compensation arrangements for five (5) years commencing in December 2005, which shall also include the amount of each form of Compensation received by Marsh from each insurer with which it placed insurance during the preceding year, provided that the Superintendent may modify or limit such annual report requirements in order to reduce unreasonable administrative burden upon Marsh."

4. This amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 3rd day of August, 2007.

Honorable Andrew Cuomo
By: 
Matthew J. Gault
Assistant Attorney General
Attorney General
State of New York

120 Broadway, 25th Floor
New York, NY 10271

Marsh & McLennan Companies, Inc.

By _____
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

Honorable Eric Dinallo

Superintendent of Insurance
New York State Insurance
Department
25 Beaver Street
New York, NY 10004

Marsh Inc.

By _____
Brian M. Storms
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

WHEREFORE, the following signatures are affixed hereto on this 3rd day of August, 2007.

Honorable Andrew Cuomo

Attorney General
State of New York

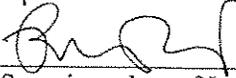
120 Broadway, 25th Floor
New York, NY 10271

Marsh & McLennan Companies, Inc.

By _____
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

Honorable Eric Dinallo

by: Robert H. Easton Deputy Superintendent +
General Counsel



Superintendent of Insurance
New York State Insurance
Department
25 Beaver Street
New York, NY 10004

Marsh Inc.

By _____
Brian M. Storms
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

WHEREFORE, the following signatures are affixed hereto on this 3rd day of August, 2007.

Honorable Andrew Cuomo

Honorable Eric Dinallo

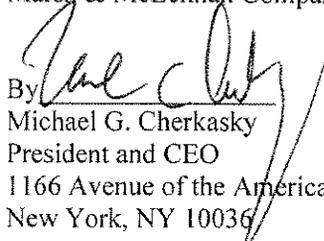
Attorney General
State of New York

Superintendent of Insurance
New York State Insurance
Department
25 Beaver Street
New York, NY 10004

120 Broadway, 25th Floor
New York, NY 10271

Marsh & McLennan Companies, Inc.

Marsh Inc.

By 
Michael G. Cherkasky
President and CEO
1166 Avenue of the Americas
New York, NY 10036

By  8/06/07
Brian M. Storms
Chairman and CEO
1166 Avenue of the Americas
New York, NY 10036

APPENDIX D:

Settlement Fund Distribution Related Documentation



STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

ELIOT SMITZER
Attorney General

February 9, 2005

DIETRICH L. SNELL
Deputy Attorney General

DAVID D. BROWN, IV
Bureau Chief
Investment Protection Bureau

By Facsimile

Brian Lutz, Esq.
Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036

Re: Policyholder Compensation Formula and Example

Dear Mr. Lutz:

As Assistant Attorneys General Matt Gaul and Mel Goldberg discussed with you today, the Attorney General, conditioned on your countersignature of this letter, approves the Policyholder Compensation Formula and Example attached hereto.

In the conversations today with Messrs. Gaul and Goldberg you stated that Marsh agreed that it would not make any payments from the Fund to any other policyholders until all payments to Participating Policyholders, plus their pro rata portions of any applicable interest, have been made. You also stated that Marsh would, by May 20, 2005, send notices to eligible U.S. policyholder clients of the amount that each such client is entitled to receive from the Fund, which will total \$850 million in the aggregate.

The Superintendent of Insurance of the State of New York has authorized me to inform you that he also conditions his approval of the attached Formula and Example on your countersignature of this letter.

David D. Brown, IV
Assistant Attorney General

Agreed:

Brian Lutz, Esq.
Marsh & McLennan Companies, Inc.,
Marsh Inc. and their subsidiaries and affiliates

cc: Audrey Samers, Esq.
Carey R. Dunne, Esq.

Policyholder Compensation Formula and Example

Compensation Formula

Step 1. Calculate the contingent commission/override revenue rate ("CC/O Rate") by Year ("Y"), Insurer ("I") and product line ("L"):

$$\text{CC/O Rate} = \frac{\text{Total CC/O recorded by Marsh for Y by I and L}}{\text{Total Premiums recorded by Marsh in Y by I and L}}$$

Step 2. For each eligible client, identify amount of premium for each policy in each Y by I and L.

Step 3. Multiply amount of premium for each policy by CC/O Rate for each Y by I and L to determine the attributed CC/O for each such policy.

Step 4. Aggregate total CC/O recorded by Marsh from January 1, 2001 to December 31, 2004 attributable to eligible clients.

Step 5. Calculate the Payout Percentage:

$$\text{Payout Percentage} = \frac{\$850 \text{ million}}{\text{Total CC/O recorded by Marsh between 1/1/01 and 12/31/04 attributable to eligible clients}}$$

Step 6. Multiply attributed CC/O by Payout Percentage.

Example of Formula

Step 1. Calculate the CC/O Rate by Y, I and L:

Example 1a: Marsh recorded \$100,000 in CC/O for 2002 from Insurer 123 Ins. Co. in Excess Casualty on \$1 million in total Excess Casualty premiums placed by Marsh during 2002 with 123 Ins. Co.

$$\text{CC/O Rate}_{2002, 123 \text{ Ins. Co., Excess Casualty}} = \frac{\$100,000}{\$1 \text{ million}} = 10\%$$

Example 1b: Marsh recorded \$50,000 in CC/O for 2003 from Insurer XYZ Ins. Co. in Property on \$2.5 million in total Property premiums placed by Marsh during 2003 with XYZ Ins. Co.

$$\text{CC/O Rate}_{2003, XYZ \text{ Ins. Co., Property}} = \frac{\$50,000}{\$2.5 \text{ million}} = 2\%$$

Step 2. For each eligible client, identify amount of premium for each policy in each Y by I and L.

Eligible Client	Insurer	Policy Number	Product Line	Year	Premium
ABC Inc.	XYZ Ins. Co.	P397649	Property	2003	\$500,000
ABC Inc.	123 Ins. Co.	EC98401	Excess Casualty	2002	\$1,000,000

Step 3. Multiply amount of premium for each policy by CC/O Rate for each Y by I and L to determine the attributed CC/O for each such policy.

Eligible Client	Insurer	Year	Premium	CC/O Rate	Attributed CC/O
ABC Inc.	XYZ Inc. Co.	2003	\$500,000	2.0%	\$10,000
ABC Inc.	123 Ins. Co.	2002	\$1,000,000	10.0%	\$100,000
Total Attributed CC/O for ABC Inc. =					\$110,000

Step 4. Aggregate total CC/O recorded by Marsh between January 1, 2001 and December 31, 2004 attributable to eligible clients.

Step 5. Calculate the Payout Percentage:

$$\frac{\$850 \text{ million}}{\sim \$1.721 \text{ billion}} = \sim 49\%$$

Step 6. Multiply Attributed CC/O by Payout Percentage.

Total Attributed CC/O	Payout Percentage	Total Compensation to ABC Inc.
\$110,000	49%	\$53,900



Michael G. Cherkasky
President and Chief Executive Officer

Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036

To U.S. Policyholder Clients,

I am writing to inform you of your eligibility to participate in a settlement fund established by Marsh & McLennan Companies, Inc. ("Marsh").

Actions Filed by the New York Attorney General and Superintendent of Insurance

In October 2004, the New York Attorney General and Superintendent of Insurance commenced actions against Marsh alleging, among other things, that Marsh engaged in "bid rigging," improperly steered insurance placements to insurers that paid Marsh contingent commissions, and failed to adequately disclose contingent compensation arrangements. The complaint filed by the Attorney General and the amended citation issued by the Superintendent of Insurance are available on their respective websites.

The Settlement Agreement

On January 30, 2005, Marsh entered into a settlement agreement to resolve these actions. A copy of the Settlement Agreement is available at www.marshsettlement.com. As part of the settlement, Marsh agreed to establish an \$850,000,000 Fund payable over four years to compensate those "U.S. policyholder clients who retained Marsh to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 through December 31, 2004." See ¶ 2(a).

The Allocation of the Settlement Funds

Attached is a statement setting forth the amount you are eligible to receive from the Fund. The parties agreed to use revenue attributable to contingent commissions solely as a mechanism for allocating the settlement funds to eligible policyholders. This method of allocation eliminated the need for any policyholder to demonstrate that it suffered any actual harm or injury. Pursuant to an approach approved by the Attorney General and Superintendent of Insurance, Marsh has calculated the amount of premium and contingent commissions or overrides attributable to each eligible policyholder for each insurer, each product line and each year. In certain instances, Marsh has used estimates where premium data was not available to Marsh (for example, because the insurer billed the policyholder directly).

The Release

The decision of whether or not to participate in the Fund is entirely voluntary. If you elect to receive a distribution from the Fund, you must sign and return the enclosed release by September 20, 2005. The form of the release has been approved by the Attorney General and Superintendent of Insurance. By signing the release, you will give up your right to pursue any claims against Marsh or its related entities for any matters related to the actions filed by the Attorney General and Superintendent of Insurance, including claims that relate to policies issued prior to January 1, 2001. The release does not preclude participating policyholders from seeking relief against non-Marsh entities or individuals.

If you elect not to receive a distribution from the Fund, you will retain any rights you may have to pursue an individual or class action against Marsh, including by participating in a putative class action against Marsh and other companies that is currently pending in the District Court of New Jersey entitled In Re: Insurance Brokerage Antitrust Litigation, Civil No. 04-5184 (FSH), MDL No. 1663, or any other pending actions. These actions assert numerous violations of federal and state statutory and common law and seek various forms of damages and other relief on behalf of policyholders.

Payment Mechanisms

As a general matter, payments will be made in installments over the next four years, beginning on November 1, 2005. Under the Settlement Agreement, "Marsh shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund . . ." See ¶ 6. Thus, the payment schedule will depend upon the percentage of eligible policyholders that elect to participate.

In deciding whether to participate in the Fund, you should review the complete terms of the Settlement Agreement, including the following provision: "In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until all Participating Policyholders have been paid the full aggregate amount due . . . nor shall the total payments from the Fund to any Non-participating Policyholder exceed 80% of that Non-participating Policyholder's original allocated share." See ¶ 3.

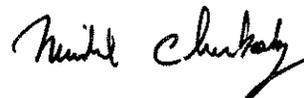
Amounts Remaining in the Fund

Under no circumstances will any portion of the settlement Fund revert to Marsh. In particular, "if any funds remain in the fund as of June 20, 2008, any such funds shall be distributed on a pro rata basis to Participating Policyholders." See ¶ 3. Thus, "the amount paid [to Participating Policyholders] may increase if there is less than full participation by eligible clients in the Fund." See ¶ 2.

* * *

If you have any questions about participation in the Fund and are calling from within the United States, Canada or a U.S. territory, you may contact our service center at (800) 406-1541. If calling from outside the United States, Canada or a U.S. territory, please use the appropriate international access code followed by (941) 906-4643. On behalf of Marsh, I want to thank you for your business and your patience.

Sincerely,



Michael Cherkasky

Enclosures

Must be Postmarked
No Later Than
September 20, 2005

Marsh Settlement
c/o The Garden City Group, Inc.
P.O. Box 8892
Melville, NY 11747-8892
(800) 406-1541 (United States)
(941) 906-4643 (International)

MMC



[Control Number Barcode]

[Settlement Identification Number Barcode] 123 456 7890

Risk Manager
ABC Corporation
123 Maple St.
New York, NY 12345

REQUIRED INFORMATION OR CORRECTIONS

Write any name and address corrections below if any corrections are necessary **OR** if the distribution check should be sent to a different name or address, **YOU MUST** provide that information here:

GENERAL RELEASE

This RELEASE (the "Release") is executed this ____ day of _____, 2005 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to ABC Corporation and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to Marsh & McLennan Companies, Inc. and any of its subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Marsh").

"AGREEMENT" refers to a certain agreement between Marsh and the Attorney General of the State of New York ("NYAG") and the Superintendent of Insurance of the State of New York ("NYSI") dated January 30, 2005, relating to an action commenced against Marsh by NYAG dated October 14, 2004 captioned The People of the State of New York against Marsh & McLennan Companies, Inc. and Marsh Inc., Index No. 04/403342, and an investigation by NYAG relating to same (the "Complaint"), and a Citation and Amended Citation captioned In the Matter of Marsh & McLennan Companies, Inc. et. al., (Amended Citation No. 2004-0123-C), issued to Marsh by NYSI on October 21, 2004 and October 25, 2004, respectively, and an investigation by NYSI relating to same (collectively, the "Amended Citation").

RELEASE

1. In consideration for the total payment of \$XX, XXX in accordance with the terms of the Agreement, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the Complaint, the Amended Citation, except for claims which are based upon, arise out of or relate to the purchase or sale of Marsh securities.

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Marsh in connection with any claims that RELEASOR may assert against Marsh, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Marsh.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

RELEASOR:	<input type="text"/>	Dated:	<input type="text"/>
Signed By:	<input type="text"/>	Social Security No / Taxpayer ID No:	<input type="text"/>
Print Name:	<input type="text"/>	Phone Number:	<input type="text"/>
Title:	<input type="text"/>		

APPENDIX E:

Compliance Procedures – Transactional Policies and Procedures

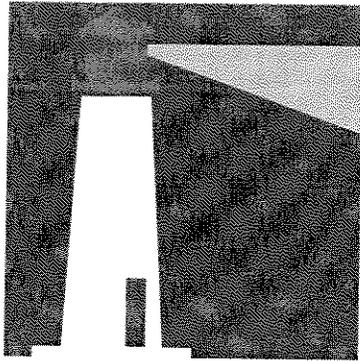


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Marsh & McLennan Companies

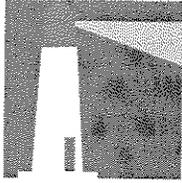


MMC Transparency Standards for Insurance Transactions

Third Edition
December 21, 2006

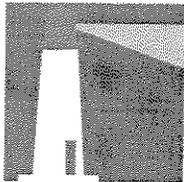


MMC
Transparency
Standards for
Insurance
Transactions



Contents

Introduction	1	Appendix: Forms	11
1. Policy on Transparency in Providing Client Insurance Services	2	— Process Map of New Procedures	11
— Overview	2	— Placement Form 1: Placement Strategy Letter	12
— Types of Compensation	2	— Disclosure Form 1: Client Pre-disclosure Letter	13
— Disclosure of Compensation and Client Consent	3	— Disclosure Form 2: MMC Transparency Disclosure Form	14
— Placement	3	— Disclosure Form 2A: Disclosure of MMC Investments in Insurance and Reinsurance Companies	15
— Other Matters	4	— Disclosure Form 2B: Disclosure of Contractual Agreements with Insurers and Wholesale Brokers	16
— Colleague Responsibilities	5	— Disclosure Form 3: Sample Client Authorization	17
— Penalties and Discipline	5	— Disclosure Form 4: Annual Compensation Disclosure Letter	18
— Related Policies and Procedures	5	— Disclosure Form 5: Premium Finance Disclosure Statement	19, 20
2. Procedure on Insurance Placement	6		
— Overview	6		
— Authorized Parties	6		
— Marketing and Placement Procedures	6		
— Selection of Prospective Insurers	6		
— Underwriting Information	6		
— Additional Underwriting Disclosure	7		
— Client-Directed Placement Protocol	7		
— Post-Transaction Debriefings	7		
3. Procedure On Compensation and Client Disclosure	8		
— Overview	8		
— Collection of Information Relating to Compensation and Other Disclosure Issues During the Placement Process	8		
— Disclosure to the Client and Written Consent from the Client	9		



Introduction

When clients engage Marsh & McLennan Companies to obtain insurance coverage, they deserve our finest efforts. A key component of this is the placement process—that is, determining appropriate insurers for the type of risk involved, negotiating with those carriers on clients' behalf to obtain the best coverage at the best price, and obtaining the proper documentation or policies to reflect this insurance coverage.

While the insurance placement process has been around for hundreds of years, it is rarely understood or appreciated. In the past, it was not a practice for brokers to detail all the elements of the placement process. At that time, much work was done behind the scenes to the benefit of clients, sometimes without client knowledge or involvement.

Those days are gone. As we have stated on numerous occasions, we are fully committed to the principle of transparency. We have also permanently eliminated the practice of receiving any form of contingent compensation from insurers on our

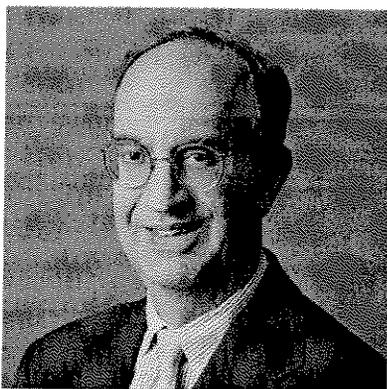
retail business and are insisting that insurance companies show commission rates on all policies.

To ensure you fully understand our commitment to leading the industry in reform, we are proud to

issue the *MMC Transparency Standards for Insurance*

Transactions. We believe our ground-breaking efforts, as described in this guide, are unparalleled, in particular with respect to the extent of disclosure and transparency.

I know I can count on you to follow our new policy, and learn our new procedures and apply them with dedication and commitment.

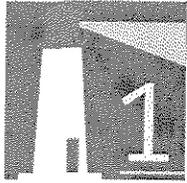


Thank you very much for your continued support.

Respectfully yours,

Michael G. Cherkasky
President and Chief Executive Officer

From First Edition dated April 1, 2005



Policy on Transparency in Providing Client Insurance Services

I. Overview

Marsh & McLennan Companies, Inc. and its subsidiaries (together "MMC") are committed to the highest professional standards in the risk and insurance services industry. This policy outlines the transparency standards that govern the activities of MMC colleagues when they place, renew, consult on or service insurance policies for clients that have placed or are seeking to place insurance through MMC ("client insurance services").

In the course of providing these client insurance services, MMC colleagues shall obey applicable laws, act in the best interest of the client and provide transparency of facts relevant to the ways that MMC is compensated for these services, as well as the marketing methods that MMC employs to negotiate with and obtain coverage from the insurance or reinsurance markets on behalf of clients.

II. Types of Compensation

A. Permissible Forms of Compensation

For client insurance services, MMC will accept only:

- a specific fee to be paid by the client;
- a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement, or servicing of the insurance policy; or
- a combination of both.

Among the permissible compensation arrangements are the following:

- retail commissions to be paid by (1) insurers, (2) managing general agents or wholesale brokers acting on behalf of insurers or (3) clients with respect to a specific placement, at a specific amount, at a specified percentage rate or subject to a cap or minimum negotiated with the client;
- reinsurance or wholesale commissions to be paid by (1) insurers, (2) reinsurers or (3) clients with

respect to a specific placement, at a specific amount, at a specified percentage rate or subject to a cap or minimum negotiated with the client;

- fees payable by the client that are adjustable based upon the achievement of or failure to achieve specified goals;
- fees based upon hourly charges payable by the client;
- commissions payable by insurers as to certain lines of coverage and fees payable by the client as to other lines of coverage;
- a combination of commissions payable by insurers and fees payable by the client for a line of coverage, except where applicable insurance laws prohibit such an arrangement.

B. Prohibited Forms of Compensation

1. Contingent Compensation

In connection with providing client insurance services, MMC will not directly or indirectly accept from or request from an insurer any contingent compensation. Nor will MMC accept from or request of an insurer any promise or commitment to use any brokerage, agency, producing, consulting or reinsurance service that is contingent upon any of the contingency factors described below.

Among the forms of prohibited compensation are commissions from insurers contingent upon any of the following factors:

- placing a particular number of policies or dollar (or other currency) value of premium with the insurer;
- achieving a particular level of growth in the number of policies placed or dollar (or other currency) value of premium with the insurer;
- meeting a particular rate of retention or renewal of policies in force with the insurer;
- placing or keeping sufficient insurance business with the insurer to achieve a particular loss ratio or any other measure of profitability;

- providing preferential treatment in the placement process, including but not limited to the giving of last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements; or
- obtaining anything else of material value for the insurer.

2. Gifts, Entertainment and Other Items of Material Value

Other than permissible compensation as described above, MMC colleagues will not directly or indirectly accept or request anything of material value from an insurance company including money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses. Each MMC operating company involved in the provision of client insurance services shall issue a detailed Policy on Gifts and Entertainment consistent with these requirements.

III. Disclosure of Compensation and Client Consent

A. Compensation Disclosure and Consent

MMC shall not accept any commissions from an insurer or fees or commissions from a third party with respect to an insurance policy unless, before that policy is bound, a representative of MMC fully discloses to the client, in writing, in plain and unambiguous language, the amount of the compensation that MMC expects to receive with respect to that policy and the client consents in writing. The amount of compensation may be disclosed in either dollar (or other currency) or percentage amounts.

Annually, each client shall receive a summary of the compensation received by MMC during the preceding year or contemplated to be received from an insurer or third party in connection with the placement, renewal, consultation on or servicing of that client's insurance policies.

B. Wholesaler Disclosure

MMC shall not directly or indirectly knowingly place, renew, consult on or service a client's insurance business through a wholesale broker unless the client consents after full disclosure of:

- the compensation received or to be received by MMC;
- any MMC interests in the wholesaler;
- any contractual agreements between MMC and the wholesaler; and
- alternatives to using the wholesaler.

C. Interest on Premiums

MMC generally retains interest on premiums collected on behalf of insurers where permitted by applicable law, and following notification to clients of this practice. No interest on premium collected on behalf of insurers may be retained unless both of these requirements have been met. Disclosure of this practice to clients shall be included in Client Service Agreements, Engagement Letters, Invoices and in other appropriate communications.

IV. Placement

A. General Principles

MMC shall not place its own financial interest ahead of its clients' interest in determining the best insurance product or services for its clients. MMC shall communicate with its clients in sufficient detail to enable them to make informed choices on insurance products and services, and shall provide complete and accurate information to prospective and current clients as to all proposals and quotes received from insurers.

MMC will make recommendations for the insurance placement process that in the professional judgment of the account team are in the client's best interest, based upon a careful understanding and evaluation of insurers' capabilities to address the client's risks and objectives.

MMC will solicit a quote for a client's insurance placement from an insurer only for the purpose of obtaining the best terms for the client.

B. Client Disclosure and Consent

Before placement or renewal, an Authorized Colleague will discuss the intended placement strategy and will obtain client consent for marketing activities as required by the Procedure on Insurance Placement.

Prior to the binding of any coverage, an Authorized Colleague will provide to the client:



- a written disclosure of all quotes and indications, including all terms of the proposed coverage, sought or received by MMC in connection with the coverage of the client's risk, including any declinations by insurers, noncompetitive quotes, or failures by insurers to respond in a timely fashion;
- a description of any MMC interests in the prospective insurers;
- a description of any contractual agreements between MMC and any of the prospective insurers; and
- disclosure of all compensation to be received by MMC from an insurer or third parties with respect to each quote.

The various disclosures to be made with regard to compensation and placement will be made only by those colleagues authorized to do so. Colleagues authorized to make such disclosure are specified in the Procedure on Insurance Placement and the Procedure on Compensation and Client Disclosure, and are hereinafter referred to as "Authorized Colleague(s)."

C. Prohibited Activities

- MMC will not directly or indirectly knowingly accept from or request of any insurer any false, fictitious, inflated, artificial, "B" or "throw away" quote or indication, or any quote or indication that does not represent the insurer's best evaluation at the time when the quote or indication is given of the minimum premium the insurer would require to bind the insurance coverage desired by the client.
- MMC will not directly or indirectly accept or request from any insurer any compensation in connection with MMC's selection of insurance companies from which to solicit bids.

V. Other Matters

A. Scope

The section of this policy on prohibited forms of compensation, including the prohibition on contingent compensation, applies to all MMC offices throughout the world.

In MMC offices outside the United States, the requirements of sections IIA, III, and IVB of this policy and related procedures shall apply only to:

- all insurance policy placement, renewal, consultation, or servicing performed for any client domiciled in the United States; and
- all insurance policy placement, renewal, consultation, or servicing associated with covering property or operations situated in the United States, irrespective of client domicile.

The requirements of Sections IIA, IIB1, IIIA, IIIB and IVB shall not apply to MGA Compensation, which MMC may receive when and to the extent it acts as an MGA. MMC shall be acting as an "MGA" when: (i) MMC has been appointed by an insurer as a managing general agent or an underwriting manager, to be the insurer's representative in connection with the management of such insurer's book of business with respect to a specific product or product line; and (ii) in such capacity, MMC (a) communicates with prospective insureds only through professional insurance brokers (including those units of MMC which act in such

capacity on behalf of insureds), and (b) places all such business for such product or product line only with and for such insurer. "MGA Compensation" means the compensation MMC receives from the appointing insurer as consideration for the MGA services MMC renders to such insurer."

Procedures may be implemented that require additional disclosure in countries outside the United States that reflect local legal requirements or business practices.

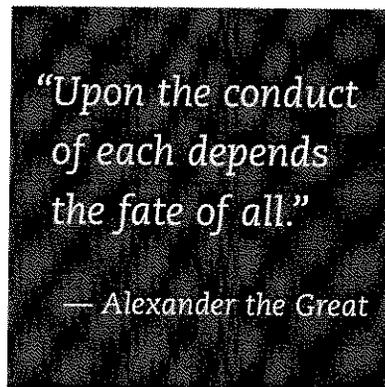
B. Record Retention

All records created pursuant to this policy including communications by or to a client shall be retained in accordance with the record retention policies of the applicable MMC company with respect to placement related documentation and for no less than six years.

C. Complaints

Any MMC colleague who receives a complaint from a client or other person regarding compensation payable or paid to MMC by insurers or third parties must report that complaint to the MMC Insurer Compensation Line, which shall refer the matter to compliance or other appropriate resources for investigation.

Personnel who administer the MMC Insurer Compensation Line will maintain a record of all complaints received concerning compensation from insurers and provide a report of those complaints to the Compliance Committee of the MMC Board of



Directors quarterly. A summary of such complaints will be prepared annually and made available to regulators as required.

MMC colleagues are prohibited from retaliating against any colleague who in good faith reports a complaint to the MMC Insurer Compensation Line.

Further information about the MMC Insurer Compensation Line, including the phone numbers for reporting complaints, is available at www.compliance.mmc.com.

VI. Colleague Responsibilities

Every MMC colleague shall comply with the requirements of this policy and its related procedures. These are minimum requirements, and additional disclosure shall be made to each client to the extent appropriate or required by applicable law or regulation.

Every colleague engaged in placing, renewing, consulting on or servicing insurance policies shall acknowledge his or her understanding of the requirement to comply with this policy and the related procedures.

Responsible parties within each MMC operating company¹ shall ensure that all colleagues providing client insurance services receive training in the requirements of this policy and its related procedures as appropriate; obtain colleague acknowledgments; and monitor compliance with the requirements of this policy and its procedures. Records of training and written acknowledgments shall be maintained for a period of six years.

Periodically, MMC Audit and Control shall audit MMC operations to verify compliance with this policy and related procedures.

VII. Penalties and Discipline

Colleagues who violate this policy or the related procedures and managers who fail to exercise their supervisory responsibilities are subject to discipline, up to and including termination.

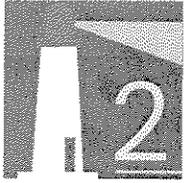
VIII. Related Policies and Procedures

- Procedure on Insurance Placement
- Procedure on Compensation and Client Disclosure
- Policy on Gifts and Entertainment (by operating company)



MMC is committed to the highest professional standards in the risk and insurance services industry.

1. Responsible Parties are: (1) Marsh—Zone Leaders and Risk Practice/Specialty Leaders within the United States and Country Heads outside the United States; (2) Mercer—Mercer H&B Market Business Leaders; (3) Guy Carpenter—the Compliance Unit of the Professional Standards Department



Procedure on Insurance Placement

I. Overview

MMC's Policy on Transparency in Providing Client Insurance Services states that MMC shall not place its own financial interest ahead of its clients' interest in determining the best insurance product or services for its clients. This set of procedures is designed to ensure that MMC brokers negotiate and place insurance coverage based solely upon their assessment of the client's best interest, with appropriate disclosure and participation by the client at key stages of the process, and through negotiating techniques that are designed to maximize competition among insurers and thereby achieve the best coverage and value for the client.

The following procedures shall be adhered to by each MMC colleague (a) negotiating or otherwise obtaining an authorization or quotation of insurance from an insurance market, or (b) placing insurance on behalf of clients.

II. Authorized Parties

Only those colleagues listed below (hereafter called "MMC brokers") are authorized to negotiate the placement of insurance on behalf of clients, and then only subject to the marketing procedures outlined herein:

- Marsh Client Executives;
- Marsh personnel employed primarily in a broking capacity (whether licensed as a "broker," "agent," or "intermediary"), including Client Advisors, marketing specialists and wholesale brokers;
- Marsh executives, defined as executive officers of Marsh, including Zone Leaders, Office Heads, Department Heads, Practice Leaders and/or Managing Directors and Senior Vice Presidents;
- any other Marsh employee authorized to engage in these activities by Zone/Risk Practice/Risk Specialties Leadership;
- Mercer Principals, Consultants, Analysts and Client Managers;

- Mercer executives, defined as executive officers of Mercer, including Unit Business Leaders and Office Business Leaders; and

- Guy Carpenter Account Executives.

Each MMC broker must be validly licensed in all applicable jurisdictions and shall comply with the Procedure on Compensation and Client Disclosure, any other applicable standards, procedures, and laws.

III. Marketing and Placement Procedures

A. Selection of Prospective Insurers

The MMC broker will begin the insurance placement process by providing to the client a recommendation of potential insurers (which may include prioritization of the insurers) that the MMC broker believes will best meet the client's insurance needs, if the client informs MMC that it desires to seek alternatives to the incumbent insurer(s). The MMC broker and the client will reach agreement, which will be documented in writing, regarding the prospective insurers that the MMC broker will solicit for insurance quotes on behalf of the client. (In the case of program business, the MMC broker may recommend to the client a pre-selected insurer or group of insurers.)

B. Underwriting Information

The MMC broker will submit the same underwriting materials (allowing for differing instructions regarding attachment point, service requirements or application forms) to each prospective insurer based upon information provided by the client and specifications agreed to by the client and provide a final copy to the client. The MMC broker will request in writing that each prospective insurer provide a written quote based upon the underwriting materials provided to it by MMC on behalf of the client.

C. Additional Underwriting Disclosure

If the MMC broker learns of additional information during the underwriting process that he or she believes should be disclosed to all prospective insurers, the MMC broker will discuss the matter with the client before doing so. In the event that the client objects to the additional disclosure, the MMC broker must review the matter with the compliance officer responsible for his or her business unit. If the compliance officer concludes that disclosure to prospective insurers is required by applicable law or professional standards, the MMC broker will notify the client that MMC cannot proceed with the placement without such disclosure.

D. Client-Directed Placement Protocol

The MMC broker shall not disclose any of the information itemized below as (1) through (5) to a prospective insurer or insurers unless so directed by the client. If the MMC broker believes that a client's interests would be advanced by making such a disclosure, the MMC broker will:

- (1) so advise the client, (2) discuss with the client the advantages, disadvantages and timing of such disclosure, and (3) review with the client how the client would like to be informed of and participate in the disclosure process.

If, and only if, the client specifically directs that a disclosure itemized below be made, the MMC broker may:

1. Disclose the names of the incumbent insurer and other prospective insurers to prospective insurer(s);
2. Provide a specific price, range of prices or prioritization of terms that the client seeks in purchasing insurance;
3. Disclose the structure, language and/or pricing of the expiring policy;
4. Disclose aspects of the quote (including price, structure, and/or policy language) of a prospective insurer to other prospective insurer(s); or
5. Provide to specified prospective insurer(s) an opportunity to submit an improved quote after all other competing final quotes have been received, sometimes referred to as a "last look."

MMC will make such disclosures only on behalf of the client and as the client's representative.

If the client directs the MMC broker to disclose information as provided above to one prospective insurer and

not to all other prospective insurers, the MMC broker will not represent, or have represented, to prospective insurers that such information would be disclosed equally to all prospective insurers.

The MMC broker will obtain the client's direction in any of the following ways: (1) by the client's execution of a placement strategy letter (*Placement Form 1, see Appendix*); (2) an oral direction from the client to the MMC broker, which the MMC broker promptly confirms by e-mail or other written communication to the client; (3) by e-mail or other written communication from the client; or (4) in a written agreement between MMC and the client, in each case which specifically contains the required direction.

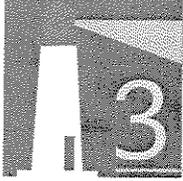
E. Post-Transaction Debriefings

If a prospective insurer that was unsuccessful in obtaining the placement requests a post-transaction briefing after the insurance program is bound, the MMC broker may discuss with such insurer, in general terms, the reasons why it lost the competition. However, the MMC broker must not disclose the specifics of a client's winning program to a losing insurer, including the winning pricing, unless the MMC broker believes it to be in that client's best interest and that client has consented to such disclosure.

Placement Procedure Forms

- 1) Placement Strategy Letter
See Appendix





Procedure on Compensation and Client Disclosure

I. Overview

This procedure describes the required steps for making disclosure to clients regarding compensation and other matters and obtaining written consent from the client before insurance coverage is bound. The procedure implements the compensation disclosure and consent requirements of MMC's Policy on Transparency in Providing Client Insurance Services (the "Transparency Policy").

This procedure has two parts. The first section details the responsibilities of MMC colleagues involved in the placement of insurance, who are responsible for collecting information relating to compensation and other disclosure issues. The second section describes how and when that information must be disclosed to clients and the requirement for obtaining client consent prior to binding coverage.

II. Collection of Information Relating to Compensation and Other Disclosure Issues During the Placement Process

Each MMC colleague who negotiates or otherwise obtains an authorization or quotation of insurance from an insurance market must follow the procedures in this section (A).

A. People Authorized to Place Insurance

1. Only those colleagues listed below (hereafter called "MMC brokers") are authorized to negotiate the placement of insurance on behalf of clients:
 - a) Marsh Client Executives;
 - b) Marsh personnel employed primarily in a broking capacity (whether licensed as a "broker," "agent," or "intermediary"), including Client Advisors, marketing specialists and wholesale brokers;
 - c) Marsh executives, as defined as executive officers of Marsh, including Zone Leaders, Office Heads, Department Heads, Practice Leaders and/or Managing Directors and Senior Vice Presidents;
 - d) Any other Marsh employee authorized to engage in these activities by Zone/Risk Practice/Risk Specialties Leadership;
 - e) Mercer Principals, Consultants, Analysts and Client Managers;
 - f) Mercer executives, defined as executive officers of Mercer, including Unit Business Leaders and Office Business Leaders;
 - g) Guy Carpenter Account Executives.
2. Each MMC broker must be validly licensed in all applicable jurisdictions and comply with the Procedure on Insurance Placement, any other applicable standards and procedures, and applicable laws.

B. Preparation of the Transparency Disclosure Form

1. The MMC broker responsible for submitting a client's account to an insurance market or markets for the purpose of negotiating or otherwise obtaining a quotation for insurance must complete an MMC Transparency Disclosure Form (*Disclosure Form 2, see Appendix*) and deliver it to the responsible MMC Client Executive (as defined below in Section B) prior to the binding of coverage.
2. The MMC broker must ensure that the MMC Transparency Disclosure Form is complete. The form should contain all pertinent information from all individual spreadsheets and/or quotes received by any other person associated with the marketing of the program, including any binding authority or other management authority granted to MMC.
3. After completing the Transparency Disclosure Form, the MMC broker shall transmit that form to the MMC Client Executive along with *Disclosure Form 2A* ("Disclosure of MMC Investments in Insurance and Reinsurance Companies") (if one of the indicated markets is included on the Transparency Disclosure Form)

and Disclosure Form 2B ("Disclosure of Contractual Agreements with Insurers and Wholesale Brokers")—see Appendix.

III. Disclosure to the Client and Written Consent from the Client

Each MMC colleague responsible for communicating or consulting with a client concerning the placement, renewal, or servicing of an insurance policy must comply with the procedures in this Section B.

A. Authorized Parties

1. The Client Executive, Sales Professional or other colleague with responsibility for the account relationship (hereafter called "Client Executive") shall be responsible for compliance with these procedures.
2. If more than one MMC business unit or office has a primary relationship with a client, then each MMC Client Executive shall be accountable for compliance with these procedures as to the account relationship for which he or she is responsible.

B. Disclosure

1. Preliminary Discussion with the Client

In a discussion with the client before submitting a proposal to the insurance markets, the Client Executive shall:

- review the client's proposed insurance placement;
- provide the client with a description (or a copy) of the Transparency Policy; and
- provide the client with examples of the disclosure documents that the client should expect to receive during the marketing process.

The Client Pre-disclosure Letter (*Disclosure Form 1*) may be used to facilitate this discussion.

2. Pre-binding discussion and written disclosure

Prior to the binding of coverage, the Client Executive shall provide the client with the Transparency Disclosure Form (*Disclosure Form 2*) containing the following information:

- all quotes and indications sought;
- all quotes and indications received;

- all commission compensation from an insurer and fees or commissions from a third party to be received by MMC for each quote (in dollars or other applicable currency if known or, if not known, as a percentage of premium);
- the pertinent terms and conditions of each quote, including any binding authority or other management authority granted to MMC;
- any MMC interest in any of the prospective insurers;
- a description of contractual agreements between MMC and any of the insurers proposed for the placement;
- any wholesale broker(s) that may be utilized in connection with the placement of the client's insurance and the following information relating to the use of the wholesaler:

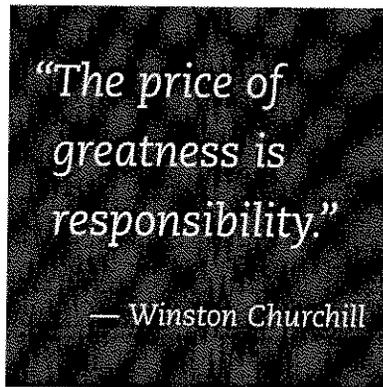
- a) the commission to be received by MMC;
- b) MMC's interests in the wholesale broker(s);
- c) any contractual agreements between MMC and the wholesale broker(s); and
- d) alternatives to utilizing the wholesale broker(s).

The Client Executive or his/her designee shall provide the client with a written update if additional quotes or indications or other pertinent information is received after this information is transmitted to the client.

The Client Executive or his/her designee shall use the Transparency Disclosure Form (*Disclosure Form 2*) to transmit this information to the client, accompanied by Disclosure Forms 2A and 2B. A Zone Compliance Leader may approve an alternative form of written communication provided that it contains all of the same information contained in Disclosure Form 2, accompanied by Disclosure Forms 2A and 2B.

3. Written consent before binding

After disclosing to the client the information described in section B.2, the MMC Client Executive shall request in writing and obtain from the client prior to binding written authorization to bind coverage. The written consent from the client must include the client's consent to MMC's commission compensation and authorization for the use of any wholesaler.



The request by MMC for authorization and the client's authorization may be in any written format, including by letter, e-mail, agreement or other written communication. Client consent may be in the form of a reply e-mail and may be obtained at any time prior to binding, including, in the case of consent to commission compensation, pursuant to a pre-agreed schedule of commission rates set forth in a Client Service Agreement, Engagement Letter or other written document signed by the client. Shown in the Appendix is a form of communication that may be used to request and obtain authorization (*Disclosure Form 3*).

No MMC colleague shall bind coverage for a client unless the disclosure required by this procedure has been made and the client has provided written consent. In rare, emergency situations (for example, where coverage is about to expire in the next few hours and the client's representative is unable to provide written consent within the time left) an exception may be approved in advance by the appropriate National Practice Leader or Zone Leader (at Marsh) or Mercer H&B Market Business Leader (at Mercer) or their designees. The person granting the exception shall then document the exception and immediately transmit the report of the exception to the Chief Compliance Officer at Marsh or Mercer, as applicable. The client's written consent shall then be obtained within the next two business days.

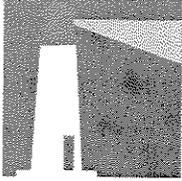


6. The requirements of Section IIIB2, IIIB3 and IIIB4 shall not apply to MGA Compensation, which MMC may receive when and to the extent it acts as an MGA (as such terms are defined in the Policy on Transparency in Providing Client Insurance Services).

Disclosure Procedure Forms

- 1) Sample letter explaining MMC's transparency procedures (RM/MM)
 - 2) MMC Transparency Disclosure Form
 - 2A) Disclosure of MMC Investments in Insurance and Reinsurance Companies
 - 2B) Disclosure of Contractual Agreements with Insurers and Wholesale Brokers
 - 3) Sample client authorization form
 - 4) Sample disclosure letter for each year of compensation received annually by MMC on the client's account
 - 5) Sample premium finance disclosure statements
- (See Appendix)

4. Annually, the MMC Client Executive shall provide the client with a statement (*Disclosure Form 4*) of all compensation received during such term or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation or servicing of the client's insurance program.
5. Prior to helping the client obtain any premium financing in connection with the client's insurance placements, the Client Executive shall provide the client with information relating to MMC's arrangements with and interests in the premium finance companies to be considered by the client and the compensation that MMC would receive from finance companies with respect to the client's placements. (*Premium finance disclosure statement—Disclosure Form 5*)

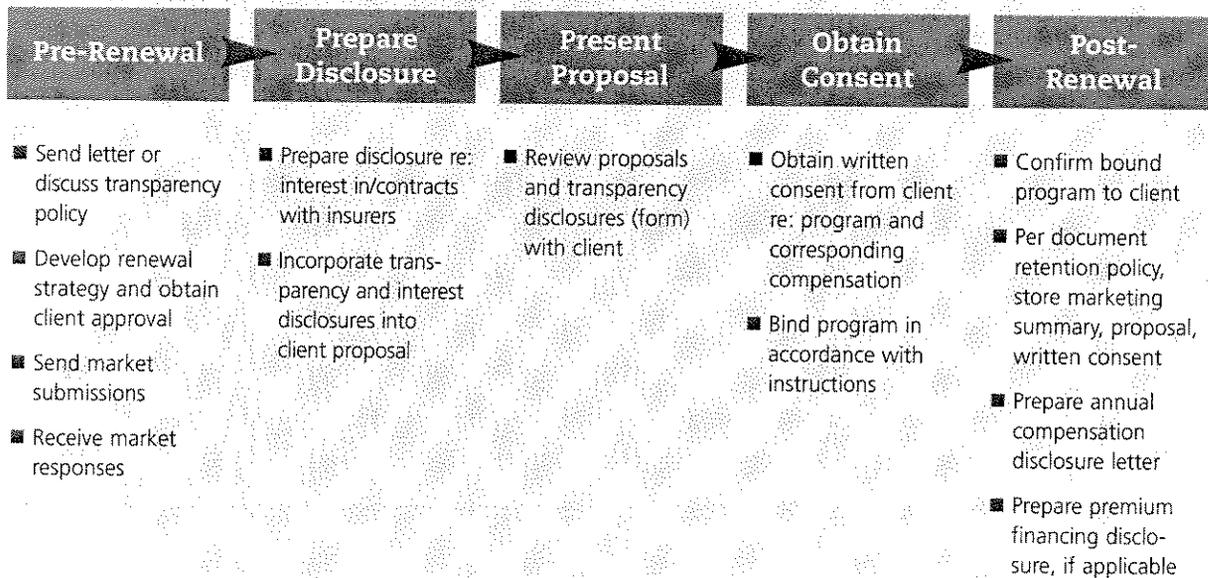


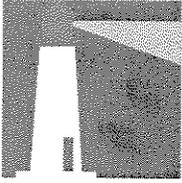
Appendix: Forms

From time to time these forms will be updated. MMC colleagues must access the most recent versions of the documents, which can be found in the Transparency Standards section of the MMC intranet, at <http://intra.mmc.com>

Business-specific forms are also available at that site and individual operating company intranet sites for Marsh, Mercer and Guy Carpenter.

Process Map of New Procedures





Placement Form 1: Placement Strategy Letter (or its equivalent)

This is a sample used by Marsh

Placement Form 1
Page 1 of 2

Placement Strategy Letter

Thank you for outlining your placement goals and objectives in the meeting on [Date]. The Marsh team met on XX/XX/XX to review our notes and the renewal plan.

Recap of Risk Identification Review Discussion

- Confirmation of Client's expansion plans or changes to their program structure **OR** confirmation that Client told us there are no changes or expansion plans (*recap of RIR discussion*)

Recap of Renewal Strategy Meeting Discussion and Deliverables:

- [Describe Client Objectives for the upcoming renewal]
- Market strategy for each line of coverage.

You have authorized Marsh to seek proposals from the following insurers for your upcoming placement:

-
-
-

In approaching these markets on your behalf, you have further directed Marsh to disclose the following information as part of our negotiating process. (Note – list only those areas that were specifically discussed with the client and as to which you received specific client direction)

- Disclose the names of the incumbent insurer and other prospective insurers to prospective insurer(s);
- Provide a specific price, range of prices or prioritization of terms that the client seeks in purchasing insurance;
- Disclose the structure, language and/or pricing of the expiring policy;
- Disclose aspects of the quote (including price, structure, and/or policy language) of a prospective insurer to other prospective insurer(s); or
- Provide to [identify specific insurer(s)] an opportunity to submit an improved quote after all other competing final quotes have been received, sometimes referred to as a "last look."

{If any of the above items were not authorized, insert this sentence: "If during the marketing process you would like Marsh to provide the incumbent or any other insurer the following information on your behalf [list the items above where authorization was withheld], please provide the undersigned written direction to that effect."}

Placement Form 1
Page 2 of 2

not to seek alternatives to your incumbent relationship

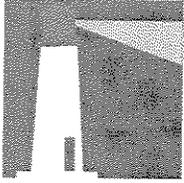
ing strategy and confirm].

s and format for each line of coverage]

ecument (as necessary)]

and roles for the upcoming placement. (e.g. Target date
st; number of days after receipt of client information for

Thank you for the time that you and your colleagues set
ewal of your program.



Disclosure Form 1: Client Pre-disclosure Letter (or its equivalent)

This is a sample used by Marsh

Disclosure Form 1

Page 1 of 2

Sample Client Notification Letter

[Date]
[Client name]
[Client Address]

Dear _____:

I am writing to describe Marsh's commitment to transparency and to outline the categories of information that you can expect to receive from us at key stages of our business relationship.

By transparency, we mean that you can expect to receive complete and accurate information about the insurance program we are developing for you, including our compensation; the way in which we will approach the insurance markets to obtain the coverage you seek; and any business relationships that may exist between Marsh affiliates and any insurers that we present to you.

This is what you can expect from your Client Executive and account team:

Strategy Meeting and Client Service Agreement

- Before placing or renewing an insurance product for you, your Client Executive will arrange a strategy meeting where we will discuss your current operations and any changes, renewal goals and objectives, current insurance market conditions and any recommended changes to your program structure.

- Before presenting your program to the insurance markets, we will discuss specific negotiating strategies and will seek your authorization and direction concerning the marketing of your insurance program.

- Annually you will be presented with a Client Service Agreement, which will clearly describe the services that Marsh will provide and the compensation that we anticipate receiving for those services. We will ask you to review that agreement and discuss any concerns with us.

Disclosure

- Before we advise underwriters to bind your insurance coverages, we will disclose to you:

quotes and indications: a marketing summary of all quotes and indications requested and received from insurers in response to our underwriting proposal

our compensation: the amount of commission that Marsh and its affiliates expects to receive from insurers or third parties from the transaction or, in the event of a fee, the fees associated with such placement if not included in the Client Service Agreement. If included in the Client Service Agreement, it will be noted "as separately agreed" on the Authorization to Bind form.

I thank you for the opportunity to work with you.

Very truly yours,

[this is a sample developed for Risk Management and Risk and Insurance Services clients, a modified version of this document will be developed for Small Commercial and Private Client Services clients, as needed]

Disclosure Form 1

Page 2 of 2

If Marsh is involved in the transaction, we will disclose our sales commission, any interest in or relationship with the insurer, and alternatives to using the wholesaler.

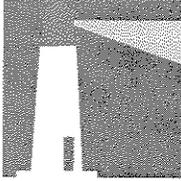
We will disclose any interest in or contractual relationships with any specific insurer.

Please request your written authorization. You can provide your authorization by fax, letter, or email. However, we will need your written authorization to bind your policy.

We will disclose any and all compensation that Marsh has received from insurers in connection with the marketing of your policy.

We will disclose the aggregate interest income Marsh earns on the account on behalf of insurers during the period between the time such payments are remitted to the insurer.

We will disclose any procedures or about any aspect of our business that, in addition, if you have any specific concern about that concern to the MMC Ethics and Compliance Department, please contact the Compliance Line, including the phone numbers 1-800-368-6262 or compliance.mcc.com.



Disclosure Form 2: MMC Transparency Disclosure Form (or its equivalent)

Form 2 MMC Transparency Disclosure Form 07/10/2016 version of workbook

MMC Transparency Disclosure Form

Data:

Short Name:		To:		From:		CBA Date:	
Profit Center #:		Address1:		Location:		EL Date:	
Client:		Address2:		Phone No.:			
BASYS #:		Address3:		Fax No.:			
Client Code:		State & Zip:					
Exp. Date:		Phone:					
Exp. Date:		Fax:					

A. Authorization / Quotes Received (Detailed recommendations, terms and conditions are included in proposal and/or available upon request)

Item	Line of Coverage	Limits / Values	Insurance Co. / Issuing Paper	MMC Binding / Multi-Coverage	Quote Includes (Y/N/NA)	Quotation Authorization Indication	\$ Premium	Retail Commission		Non-Wholesale/Intermediary Commission		Client Approval Full Comm.	Files & Third Party Compensation	
								Percent	\$ Amount	Percent	\$ Amount		Percent	\$ Amount
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B. "Wholesale" Broker Information (Including MGAs)

Item	Line of Coverage	Wholesale Brokerage Firm	Location	MMC Contractual Agreement with Wholesale Broker	MMC Ownership Interest	\$ Premium	Wholesale Comm. - Percent	Wholesale Commission \$ Amount	Alternative to Using This Wholesale Broker

C. Declaration / Non-Response

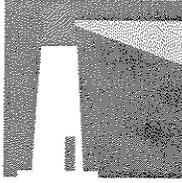
Item	Line of Coverage	Insurance Co. / Issuing Paper	Decision (Y/N/NA)	No Response (Y/N/NA)	Explanation Concerning Decision

D. Comments
(For organizations of Sections A, B & C above. No premiums, commissions or fees should be indicated here.)

Section Number	Item Number	Comments / Explanation

Foot, stack and surcharges are not included in these premium figures. If applicable, the premiums may also be subject to audit and retrospective rating - SELECT APPROPRIATE XCD NOTE NUMBER FROM ENQP CDOWN LIST

Detailed recommendations, terms and conditions are outlined in our proposal.
See Form 2A - MMC and Subsidiaries Direct & Indirect Involvement in Insurance and Reinsurance Companies
See Form 2B - Disclosure of Contractual Agreements with Interlock and Wholesale Brokers



Disclosure Form 2A: Disclosure of MMC Investments in Insurance and Reinsurance Companies (if one of the indicated companies is included on the Transparency Disclosure Form)

Disclosure Form 2A

Equity Interests in Insurers

Through its subsidiaries and affiliates, MMC owns shares or other equity interests, directly and indirectly, in a number of insurers and reinsurers which are identified in the following chart which is current as noted in the footnotes.

MMC and Subsidiaries

Form 2A

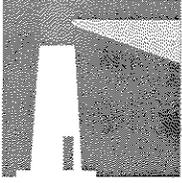
Direct & Indirect Investments in Insurance and Reinsurance Companies

Company / Ownership Structure	Percent of Ownership
Ace Limited (NYSE: ACE)	0.06%
Allied World Assurance Holdings, Ltd (Privately held)	0.06%
Ariel Holdings Ltd.	0.27%
AXIS Capital Holdings Limited (NYSE: AXS)*	4.25%
Castlewood Holdings Limited (Privately held)*	8.33%
CWI Holdings Inc (Privately held)*	15.54%
Endurance Specialty Insurance Ltd (NYSE: ENH)	0.01%
Excess Reinsurance (Privately held)	9.38%
FGIC (Privately held)*	0.10%
First Mercury Financial (Privately held)*	0.13%
First Home Insurance Co.*	0.22%
Flagstone Reinsurance Holdings Ltd.*	0.04%
Harbor Point Ltd.*	2.75%
International Financial Group (Privately held)	1.10%
James River Group Inc (Privately held)*	5.00%
NipponKoa Insurance (TSE: 8754/ PNK: NPPKF.PK)	0.06%
Powszechny Zakład Ubezpieczeń (PZU)	0.01%
Reaseguradora Patria (Mexico)	1.00%
Reinsurance Group of America (NYSE: RGA)	0.80%
Russian Reinsurance Company (Privately held)	15.00%
Signal Holdings LLC (Privately held owner of TelecomRe)*	12.75%
Sirius American Insurance Company	.05%
Wilton Re Holdings Limited (Privately Held)*	6.36%
XL Capital Ltd. (NYSE: XL)	0.12%

Debt Holdings	Carrying Value
Chandler Insurance Holdings	\$2.672 million in registered debt

Footnotes:

- This list does not include investments in companies in which MMC and its subsidiaries own less than \$100,000 worth of the company's shares.
- From time to time MMC and its subsidiaries may also hold commercial paper issued by insurance companies, their parent companies or affiliates.
- Other than Castlewood, this list shows active insurance companies or their holding company parents only. It does not list any other insurance companies in run-off or liquidation. Castlewood manages and acquires (re)insurance companies that are generally in run-off.
- This list does not include MMC's own captive insurance companies or investments in client captives.
- This list does not reflect any holdings directly or indirectly held by any of MMC's defined benefit plans.
- The percentages indicated for some investments are as of different dates. However, we do not believe this results in material differences in the aggregated percentages shown.
- The term "Privately Held" refers to companies that are not traded on public stock exchanges.
- An asterisk (*) indicates that some or all of the investment is held indirectly through an investment fund. If MMC owns X % of a Fund that owns Y % of an insurance company, MMC would own X% times Y% of the insurance company. MMC and its subsidiaries have direct and indirect investments in selected funds, as follows:
 - MMC has approximately a 25% investment in Trident II
 - MMC has approximately a 19% investment in Trident III
 - MMC has approximately a 2% to 2.5% investment in JP Morgan Corsair II
 - Marsh has a 0.25% commitment to Glencoe Capital Partners III LP
 - Marsh has a 0.24% commitment to Lehman Brothers Merchant Banking Partners III, LP
- Some of the ownership percentages have been rounded.
- Current as of September 30, 2006.



Disclosure Form 2B: Disclosure of Contractual Agreements with Insurers and Wholesale Brokers

Disclosure Form 2B

12/21/06

Contractual Agreements with Insurers and Wholesale Brokers

In some jurisdictions Marsh may enter into agreements commonly called "agency agreements" which authorize Marsh to solicit the sale of the insurers' products and sets forth the terms of trade between Marsh and the insurers. Your Marsh producer will advise you in writing of the actual commission or rate to be earned by Marsh upon the placement of your insurance policy with a prospective insurer. Your Marsh producer will also advise you in writing if Marsh is authorized to bind coverage on behalf of the prospective insurer, or if Marsh manages the prospective insurer. Marsh does not usually enter into agency or similar terms of trade agreements with wholesale brokers. Your Marsh producer will advise you in writing if it will be necessary or advisable to use the services of a wholesale broker to access a particular insurance market, and will advise you in writing whether the wholesale broker is affiliated with Marsh, and the rate of any commissions or fees to be earned by Marsh if it uses the services of the wholesale broker.

Aside from the agency agreements, which are usually necessary to complete placements on your behalf, Marsh and its affiliates have a significant number of contractual relationships with insurance companies of the following types, which, except as specifically identified to you, do not directly bear upon Marsh's compensation in its placement activities on your behalf.

Marsh Inc. and its affiliates provide many insurers and reinsurers with: insurance brokerage services for the carrier's own insurance; claims management software through Marsh STARS; claims administration services; management of single parent and group captive insurance companies, risk retention groups and pools; administration of affinity group insurance programs (including enrollment, billing, payment and customer service); managing general agency services; administration of internet based insurance placing facilities; mergers and acquisitions due diligence and consulting services; and through Guy Carpenter & Co. Inc. reinsurance brokerage services.

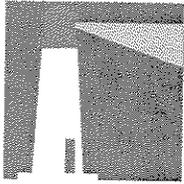
Mercer Inc. and its affiliates provide many insurers and reinsurers with: management and actuarial consulting services; rate review and loss reserving analysis; litigation support services including expert witnesses, economic modeling and economic consulting; business valuation services; investment advising; employee benefit consulting; pension plan administration; claims administration; insurance brokerage services primarily for life, health, medical, benefits, disability and other personal lines of insurance; compensation plan consulting; and corporate identity consulting.

Putnam Investments and its affiliates provide many insurers and reinsurers with: investment management and advisory services; marketing support and administrative services; distribution support and pension and 401k services.

Kroll Inc. and its affiliates provide many insurers and reinsurers with: Business Intelligence & Investigations (BI&I), Corporate Internal Investigations, Litigation Support, Asset Searches, Business Intelligence, and Due Diligence.

Marsh and its affiliates may provide similar services to wholesale brokers and will specifically advise you if any of those services directly bear upon Marsh's compensation in its placement activities on your behalf.

The list of insurers and wholesale brokers with which MMC or one or more of its affiliates have some form of contractual arrangement covering the types of services described above is lengthy and changes on a regular basis as new engagements are undertaken and in process projects are completed. In some cases, contractual relationships may be of significant value to one or more of Marsh's affiliates. However, except as specifically identified to you, those relationships do not bear upon Marsh's compensation in its placement activities on your behalf.



Disclosure Form 3: Sample Client Authorization (or its equivalent)

Form 3

MMC Authorization To Bind

(12/12/2006 version of template)

Authorization to Bind

Date: _____

To: _____

Office: _____

cc: _____

CE: _____

Named Insured and Address:

You are authorized to place insurance on our behalf as follows:

Policy Effective Date: _____

Policy Expiration Date: _____

Line Of Coverage	Insurance Co. / Issuing Paper	Limits / Layer	\$ Premium *	Commission Rates --			\$ Additional Fee **	CSA Fee Applies ENTER YES/NO
				Retail Broker	Non-Wholesaler Intermediary***	Wholesale Broker		

* Fees, taxes and surcharges are not included in these premium figures. If applicable, the premiums may also be subject to audit and retrospective rating.
** -- SELECT APPROPRIATE FOOTNOTE NUMBER FROM DROP DOWN LIST

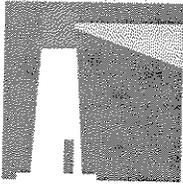
(NOTE: additional comments may be entered here if necessary. If you do not need to enter any additional comments, please delete this text)

Client Executive: _____

Accepted By: _____
Signature/Title

_____ Date

_____ Name/Title (Printed/Typed)



Disclosure Form 4: Annual Compensation Disclosure Letter

This is a sample used by Marsh

Disclosure Form 4

Draft Annual Compensation Disclosure Letter

[Date]

[Client Name]
[Client Address]

Dear _____:

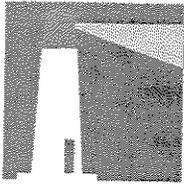
This letter is to advise you that the total compensation received by Marsh in the preceding year in connection with the placement and servicing of your insurance program was \$ _____.*

Additionally, Marsh earns interest income on premium payments held by Marsh on behalf of insurers during the period between receipt of such payments from clients and the time such payments are remitted to the applicable insurer. For the year ended _____, the aggregate interest income received by Marsh from all insurers for all clients was \$ _____.

Very truly yours,

(Attach details by policy.)

*Referral fees received in connection with the client's insurance program and compensation received by Marsh for helping the client obtain premium financing may be included in this number or separately provided.



Disclosure Form 5: Premium Finance Disclosure Statement

Page 1

Disclosure Form 5

Page 1 of 4

Premium Finance Disclosure Statement

This is a sample used by Marsh – Risk Management and Risk and Insurance Services

Date

Client Name

RE: PREMIUM FINANCE DISCLOSURE STATEMENT

Dear

Throughout this Disclosure the words "Marsh," "we" and "our" refer to Marsh USA Inc. The words "Client," "you" and "your" refer to the addressee. Please carefully read the important disclosures set forth below regarding Marsh's relationship with you and with certain premium finance companies.

Marsh frequently acts as an intermediary in arranging premium finance services for its insurance clients. Please note that, when arranging premium financing for a Client, Marsh does not seek quotes from all available premium finance markets. We principally use the services of two premium finance companies. Our primary supplier is AFCO Premium Credit LLC and AFCO Premium Acceptance Inc. (a California company) (in each case, a joint venture between AFCO Credit Corporation and Marsh USA Inc. and referred to collectively as "AFCO Premium"). Our secondary supplier is the A.I. Credit Companies. When arranging premium financing for Clients, we will solicit a quote from one or the other of these premium finance companies, unless requested by you, we do not initially solicit quotes from both suppliers. Based on our periodic review of the premium finance markets, we believe the quote being offered to you is competitive.

Marsh does not act exclusively on behalf of the Client with respect to premium finance arrangements. Please note that AFCO Premium is a joint venture between Marsh and AFCO Credit Corporation in which Marsh is the majority owner. We therefore profit from premium finance contracts that we submit to and that are accepted by AFCO Premium. Volume bonuses earned by AFCO Premium in connection with its commercial arrangements with AFCO Credit Corporation are a part of the profits earned by Marsh.

If Marsh arranges for premium financing through A.I. Credit Companies or a supplier other than AFCO Premium, Marsh is, where permitted by applicable state law, compensated by such supplier based on the amount of the premium financed.

Page 2

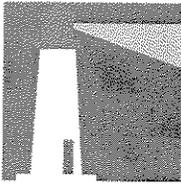
Disclosure Form 5

Page 2 of 4

... pursuant to the terms of the attached quote, AFCO Premium, Marsh will earn an amount ... transaction. In addition, Marsh participates ... amount of premiums financed through AFCO ... n volume, Marsh expects to earn an additional ... mium finance transaction. The bonus ... amount is known, if it is higher than the ... ing if quote is from A. I. Credit or other ... ion will be \$_____.

... information in this Disclosure, please contact ... set forth below.

... ymond P. Walsh
... rsh USA Inc.
... 6 Avenue of the Americas
... w York, NY 10036
... 2) 345-3880
... c: (212) 345-4494
... ymond.P.Walsh@marsh.com



Disclosure Form 5: Premium Finance Disclosure Statement

Disclosure Form 5

Page 3 of 4

Premium Finance Disclosure Statement

This is a sample used by Marsh – Affinity

Date
Client Name

RE: PREMIUM FINANCE DISCLOSURE STATEMENT

Dear

Throughout this Disclosure the words "Marsh," "we" and "our" refer to Marsh Affinity Group Services, a service of Seabury & Smith, Inc. The words "Client," "you" and "your" refer to the addressee. Please carefully read the important disclosures set forth below regarding Marsh's relationship with you and with Cananwill Inc., the premium finance company.

Marsh frequently acts as an intermediary in arranging premium finance services for its insurance clients. When arranging premium financing for a Client, Marsh does not seek quotes from all available premium finance markets. When arranging premium financing for you, we solicited a quote from Cananwill. We have not solicited quotes from other suppliers. We believe the quote being offered to you is competitive; however, you are not required to accept the Premium Financing terms from Cananwill.

Marsh does not act exclusively on behalf of the Client with respect to premium finance arrangements. Please note that Marsh is, where permitted by applicable state law, compensated by Cananwill Inc. for arranging the placement of your premium financing through them. Based on our current agreement with Cananwill Inc., Marsh will earn approximately one and one-half percent (1.5%) of the amount financed as a placement fee. The amount financed, and therefore the exact dollar amount of the fee Marsh will earn will depend on the limit and deductible option you ultimately select based on the enclosed proposal form. For residents of the following States (Alabama, Connecticut, District of Columbia, Kentucky, Maryland, Massachusetts, Michigan, Nevada, New Mexico, New York, North Carolina, South Carolina, Texas, Virginia, Wisconsin) Marsh is not compensated by Cananwill Inc. for arranging the placement of your premium financing through them.

If you have any questions about the information in this Disclosure, please contact the undersigned using the contact information set forth below.

Sincerely,

(Account Executive Name)
Marsh Affinity Group Services,
a service of Seabury & Smith, Inc.

Disclosure Form 5

Page 4 of 4

Throughout this Disclosure the words "Marsh," "we" and "our" refer to Marsh Affinity Group Services, a service of Seabury & Smith, Inc. "AFCO" refers to AFCO Credit Services, Inc. The words "Client," "you" and "your" refer to the addressee. Please carefully read the important disclosures set forth below regarding Marsh's relationship with you and with Cananwill Inc., the premium finance company.

Marsh frequently acts as an intermediary in arranging premium finance services for its insurance clients. When arranging premium financing for a Client, Marsh does not seek quotes from all available premium finance markets. When arranging premium financing for you, we solicited quotes from other suppliers. We believe the quote being offered to you is competitive; however, you are not required to accept the Premium Financing terms from Cananwill.

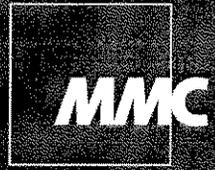
Marsh does not act exclusively on behalf of the Client with respect to premium finance arrangements. Please note that Marsh is, where permitted by applicable state law, compensated by Cananwill Inc. for arranging the placement of your premium financing through them. For residents of the following jurisdictions (Alabama, Connecticut, District of Columbia, Kentucky, Maryland, Massachusetts, Michigan, Nevada, New Mexico, New York, North Carolina, South Carolina, Texas, Virginia, Wisconsin, U.S. Virgin Islands) Marsh is not compensated by AFCO for arranging the placement of your premium financing through them.

Marsh will earn approximately two-tenths of one percent (.21%) of the gross premium as a placement fee or \$ With respect to premium finance arrangements, for residents of the following jurisdictions (Alabama, Connecticut, District of Columbia, Kentucky, Maryland, Massachusetts, Michigan, Nevada, New Mexico, New York, North Carolina, South Carolina, Texas, Virginia, Wisconsin, U.S. Virgin Islands) Marsh is not compensated by AFCO for arranging the placement of your premium financing through them.

If you have any questions about the information in this Disclosure, please contact the undersigned using the contact information set forth below.

Sincerely,

Marsh Affinity Group Services,
a service of Seabury & Smith, Inc.



Marsh • Putnam • Mercer
Marsh & McLennan Companies

APPENDIX F:

Compliance Procedures – Annual Disclosure

Marsh Sample Annual Compensation Disclosure Letter

[Date]

[Client Name]
[Client Address]

Dear _____:

This letter is to advise you that the total compensation received by Marsh in the preceding year in connection with the placement and servicing of your insurance program was \$_____.*

Additionally, Marsh earns interest income on premium payments held by Marsh on behalf of insurers during the period between receipt of such payments from clients and the time such payments are remitted to the applicable insurer. For the year ended _____, the aggregate interest income received by Marsh from all insurers for all clients was \$_____.

Very truly yours,

(Attach details by policy.)

*Referral fees received in connection with the client's insurance program and compensation received by Marsh for helping the client obtain premium financing may be included in this number or separately provided.

