

## **REGULATORY SETTLEMENT AGREEMENT**

This Regulatory Settlement Agreement is entered into by and between Zurich American Insurance Company and its insurance subsidiaries, including but not limited to, Steadfast Insurance Company, Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company, American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company, and Assurance Company of America (collectively, the “Zurich Insurers”), and the principal insurance regulator (or his or her authorized representative) of each state that adopts, approves and agrees to this Regulatory Settlement (the “Settling Insurance Regulators”).

### **ARTICLE I** **RECITALS**

WHEREAS, certain insurance regulators and state attorneys general have initiated civil investigations (collectively, the “Investigations”) into the certain acts, practices and courses of conduct that are referred to in the Second Consolidated Amended Commercial Class Action Complaint (the “Consolidated Complaint”) filed in the putative class action styled *In re Insurance Brokerage Antitrust Litigation*, MDL No. 1663, Civil No. 04-5184 (FSH) (the “Class Action”) that is pending in the United States District Court for the District of New Jersey (the “Class Action Court”), which Investigations include review of : (i) the practices by which insurers (including the Zurich Insurers) provide quotations to insureds and prospective insureds through brokers and agents in connection with the placement and renewal of insurance contracts, and (ii) contracts, agreements, arrangements and understandings respecting the payment of commissions that are contingent upon, among other things, the broker or agent placing a particular number of policies or dollar value of premium with the Zurich Insurer; and

WHEREAS, certain insurance regulators and state attorneys general have alleged generally that the Zurich Insurers, along with other unrelated insurance companies, were active participants in a scheme with various insurance brokers to falsify quotes in order to facilitate the brokers' steering of business to preferred insurers, in exchange for which the brokers similarly steered certain business to the Zurich Insurers, and that such conduct created a false appearance of market competition to the detriment of consumers and violated the Unfair Insurance Practices Act and other laws of this State/Commonwealth; and

WHEREAS, the Zurich Insurers do not admit the above allegation; and

WHEREAS, the Settling Insurance Regulators have found that:

1. the Zurich Insurers have cooperated, and continue to cooperate, with the insurance regulators, as well as with the state attorneys general, in connection with the issues arising respecting the conduct that is the subject of the Investigations;

2. the Zurich Insurers have reviewed their practices relevant to the conduct and issues that are the subject of such investigations and have adopted and will continue to reform compliance efforts relevant to such conduct and issues;

3. Zurich American Insurance Company, Steadfast Insurance Company, Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company, American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company, and Assurance Company of America are named defendants in the Class Action ;

4. the claims made in the Class Action (the "Class Action Claims") by the plaintiffs (the "Class Action Plaintiffs") are made on behalf of a nationwide class of insurance

policyholders, and are based upon the acts, practices or courses of conduct that are the subject of the Investigations;

5. the Zurich Insurers and Class Action Plaintiffs have agreed to the principal terms of a settlement of the Class Action, which terms are set out in an October 14, 2005 Memorandum of Understanding (the "MOU"), a copy of which is attached as Exhibit B and incorporated herein by reference;

6. the Zurich Insurers and the Class Action Plaintiffs are in the process of negotiating the terms of a settlement agreement consistent with the terms of the MOU;

7. as set out in the MOU, execution of a settlement agreement with the Class Action Plaintiffs is subject to, among other things, the Zurich Insurers' ability to resolve the Investigations;

8. the Zurich Insurers have negotiated a settlement agreement (the "AG Settlement Agreement") and an Order and Stipulated Injunction (the "Order") (a copy of which is attached as Exhibit C) with certain of the state attorneys general ("Settling Attorneys General"), that contain substantially similar settlement terms as are set out in this Regulatory Settlement Agreement;

9. in resolving the pending Investigations, the Zurich Insurers may settle civil claims relating to the acts, practices or courses of conduct that are the subject of the Investigations with other state attorneys general and/or departments of insurance pursuant to agreements that may require the Zurich Insurers or any of them to pay a monetary amount under terms that are different from those set out in this Regulatory Settlement Agreement ("Parallel Agreements"); and

10. the Zurich Insurers may negotiate a Parallel Agreement with the New York Attorney General and/or New York Department of Insurance (the “NY Parallel Agreement”); and

WHEREAS, the Zurich Insurers and each of the Settling Insurance Regulators wish to resolve any and all issues, allegations and/or claims based upon the acts, practices or courses of conduct that are the subject of the Investigations; and

WHEREAS, each of the Settling Insurance Regulators finds that:

1. this Regulatory Settlement Agreement adequately addresses the principal collective concerns of the Settling Insurance Regulators and thus is in the public interest;

2. this Regulatory Settlement Agreement is entered into solely for the purpose of resolving any and all issues, allegations and/or claims that arise as to the Zurich Insurers based upon the acts, practices or courses of conduct that are the subject of the Investigations, and is not intended to be used for any other purpose;

3. there is no intent on the part of the Settling Insurance Regulators in entering into this Regulatory Settlement Agreement that any of its terms place the Zurich Insurers at a competitive disadvantage; and

4. the Zurich Insurers enter into this Regulatory Settlement Agreement without admitting any issue, allegation and/or claim that has arisen or might arise as to the Zurich Insurers based upon the acts, practices or courses of conduct that are the subject of the Investigations; and

WHEREAS, each Regulatory Settlement Agreement shall become effective on the date that it is signed by the Zurich Insurers and a Settling Insurance Regulator.

NOW THEREFORE, the Zurich Insurers and each of the Settling Insurance Regulators hereby enter into this Regulatory Settlement Agreement and agree as follows:

**ARTICLE II**  
**REGULATORY SETTLEMENT AGREEMENT TERMS**

**A. ACCEPTANCE**

1. By virtue of their execution of this Regulatory Settlement Agreement, each of the Settling Insurance Regulators acknowledges and agrees that: (i) he or she has read and understands the terms and conditions of the MOU and (ii) he or she has read and understands the terms and conditions of this Regulatory Settlement Agreement.

**B. ADMINISTRATIVE AGREEMENTS**

Based upon extensive negotiations with the Settling Attorneys General, the Zurich Insurers agree to do the following:

1. RESTITUTION

a. The Zurich Insurers shall pay or cause to be paid to Settlement Class Members one hundred million dollars (\$100,000,000) (the "Settlement Amount") plus fifty-one million seven hundred thousand dollars (\$51,700,000) (the "Additional Settlement Amount"), which amounts (collectively, the "Combined Settlement Amount") will be distributed pursuant to the Plan of Allocation and which payment shall, as more fully set out in Paragraph II.E, resolve all of the issues, allegations and claims that arise as to the Zurich Insurers pursuant to the Investigations; *provided* that the payment of the Combined Settlement Amount shall be made pursuant to the terms and conditions set out in the Class Action settlement agreement, which terms and conditions shall provide, among other things, that, within ten (10) business days following preliminary approval of the settlement agreement by the Class Action Court, the

Zurich Insurers shall (i) pay or cause to be paid an initial payment from the Combined Settlement Amount (the “Initial Payment”) plus one hundred thousand dollars (\$100,000) to cover the costs of providing notice to Settlement Class Members and (ii) deposit or cause to be deposited the Combined Settlement Amount less the Initial Payment into an escrow account, which account shall be subject to an escrow agreement that provides, among other things, (a) that the account shall be under the joint control of the Zurich Insurers, Co-Lead Counsel and the Settling Attorneys General and (b) for the payment of interest to Settlement Class Members on the monies deposited in the escrow account, with such interest to be calculated at the one-year LIBOR rate for the period starting from the date the monies are deposited into the escrow account until such date as the monies are transferred out of the escrow account after approval of the class action settlement becomes final and no longer subject to appeal; *provided further* that the terms Settlement Amount, Settlement Class Members and Plan of Allocation have the same meaning as in the MOU.

b. No part of the Combined Settlement Amount shall be used to pay (i) the attorneys’ fees or expenses of counsel for the Class Action Plaintiffs, including but not limited to the fees and expenses of Co-Lead Counsel (as that term is defined in the MOU), (ii) the attorneys’ fees or expenses of any of the Settling Attorneys General or the Settling Insurance Regulators or (iii) any portion of the State Payment, as that term is defined in Paragraph II.B.2.a below. No portion of the Combined Settlement Amount shall be considered a fine or a penalty.

c. Pursuant to the terms of the MOU, the Plan of Allocation, which shall be subject to approval by the Class Action Court, shall be prepared by Co-Lead Counsel upon consultation with, and with the cooperation of, among others, the Settling Insurance Regulators

and shall provide that the Combined Settlement Amount shall be fairly allocated among the states and Settlement Class Members in a manner that responds to all of the Class Action Claims for the entirety of the Settlement Class Period, *provided* that the terms Settlement Class Members and Settlement Class Period have the same meaning as in the MOU.

d. To the extent the Zurich Insurers or any of them enter into a Parallel Agreement with any state other than Ohio, the Zurich Insurers shall be given a credit against the Additional Settlement Amount (a "Settlement Credit"), which Settlement Credit shall equal the amount paid pursuant to such Parallel Agreement; *provided* that application of the Settlement Credit shall be subject to the following:

(1) no portion of the Settlement Credit shall be used to pay fines, penalties, fees or costs incurred in connection with any Investigation or any Parallel Agreement (including the NY Parallel Agreement);

(2) the aggregate amount of all Settlement Credits applied against the Additional Settlement Amount pursuant to this Paragraph II.B.1.d shall not exceed thirty million nine hundred thousand dollars (\$30,900,000), which amount shall be allocated as follows: twenty-nine million nine hundred thousand dollars (\$29,900,000) shall be available as a Settlement Credit in connection with any monetary amount (other than the payment of a fine, penalty, fee or cost) that the Zurich Insurers must pay pursuant to a NY Parallel Agreement (the "NY Settlement Credit") and a total of one million dollars (\$1,000,000) shall be available as a Settlement Credit in connection with any monetary amount (other than the payment of a fine, penalty, fee or cost) that the Zurich Insurers must pay pursuant to a Parallel Agreement other than, for avoidance of doubt, a NY Parallel Agreement or an Ohio Parallel Agreement.

(3) a Settlement Credit shall be applied against the Additional Settlement Amount and refunded to the Zurich Insurers from the escrow account after the amounts with respect to which the Zurich Insurers are seeking such Settlement Credit have been paid to insureds pursuant to the terms of the relevant Parallel Agreement; *provided* that if the amount distributed to insureds pursuant to the NY Parallel Agreement (the “NY Distributed Amount”) is less than the NY Settlement Credit, the NY Settlement Credit shall be reduced by an amount equal to the difference between the NY Settlement Credit and the NY Distributed Amount (the “NY Settlement Credit Balance”).

e. If any portion of monetary relief (other than a fine, penalty, fee or cost) that the Zurich Insurers are required to pay or cause to be paid under the terms of a Parallel Agreement (including a NY Parallel Agreement) is not claimed by the persons or entities eligible to receive such relief under the Parallel Agreement and the Parallel Agreement provides for such unclaimed monetary relief to be distributed to Settlement Class Members (the “Spillover Amount”), such Spillover Amount shall be distributed to Settlement Class Members pursuant to the Plan of Allocation in a manner that is not inconsistent with the terms of the relevant Parallel Agreement; *provided* that if the NY Settlement Credit has been reduced pursuant to the proviso in paragraph II.B.1.d(3) above, then, at the time the Spillover Amount is provided for distribution to Settlement Class Members, the NY Settlement Credit Balance shall be applied as a credit against the Additional Settlement Amount and refunded to the Zurich Insurers from the escrow account.



2. PAYMENT TO STATES

a. Within sixty (60) days following the execution date of this Regulatory Settlement Agreement, the Zurich Insurers shall pay or cause to be paid by wire transfer, certified check or other guaranteed funds into an escrow account(s) as directed by the Settling Attorneys General the amount of twenty million dollars (\$20,000,000) (the "State Payment"), which escrow account(s) shall be subject to an escrow agreement that shall provide, among other things, that (i) if the AG Settlement Agreement is terminated pursuant to its terms prior to December 27, 2006, the State Payment shall be refunded to the Zurich Insurers from the escrow account(s) less any reasonable attorneys' fees and out-of-pocket expenses incurred by the Settling Attorneys General and the Settling Insurance Regulators in connection with their Investigations of the Zurich Insurers as of the date of termination and (ii) if the AG Settlement Agreement has not been terminated as of December 27, 2006, then the escrow account(s) shall be terminated and the State Payment (plus accrued interest) shall be distributed to the Settling Attorneys General and the Settling Insurance Regulators; *provided* that the State Payment represents (a) disgorgement in lieu of civil penalties and/or (b) attorneys' fees and costs that have been or that will be incurred by the Settling Attorneys General and/or the Settling Insurance Regulators relating to (i) their investigation of the acts, practices and courses of conduct that are the subject of the AG Settlement Agreement and this Regulatory Settlement Agreement, (ii) negotiating the AG Settlement Agreement and this Regulatory Settlement Agreement, (iii) facilitating notification to Settlement Class Members, (iv) monitoring and inspecting the implementation of, and providing consumer outreach regarding, the Class Action settlement, (v) obtaining final approval of the Class Action settlement by the Class Action Court that is no

longer subject to appeal, (vi) responding to any appeals taken respecting the Class Action Court's approval of the Class Action settlement and (vii) monitoring and enforcing compliance with the Order. The State Payment shall be used as set forth in consent judgments between each Settling Attorney General and the Zurich Insurers to be entered in each of the signatory states' respective court and, absent limitations in such consent judgment and consistent with applicable state law, the monies may be, at the sole discretion of the Settling Attorney General in each signatory state, applied for any of the following purposes: (i) payment of attorneys' fees and costs, (ii) antitrust or consumer protection law enforcement, (iii) deposit into a state antitrust or consumer protection revolving fund or (iv) any other use in accordance with state law; *provided further* that the Settling Attorneys General shall be responsible for allocating the State Payment among the Settling Attorneys General and the Settling Insurance Regulators.

**C. BUSINESS REFORMS**

Based upon extensive negotiations with the Settling Insurance Regulators, the Zurich Insurers agree to do the following:

**1. COMPLIANCE PROGRAM**

a. The Zurich Insurers shall implement a compliance program meeting the requirements of this paragraph II.C.1 (which requirements are also incorporated into the Order); *provided* that to the extent that the Zurich Insurers seek within the ten-year (10-year) time period beginning as of the date the Order is entered (the "Term") to modify any term of the legal compliance program that is set out below in any material respect, they shall provide the Settling Attorneys General and the Settling Insurance Regulators with notice of their intention to make such modification no less than sixty (60) business days prior to implementing it.

b. Within thirty (30) business days following entry of the Order, the Zurich Insurers shall:

(1) Create, to the extent not already created, a United States Compliance Office (the “Compliance Office”) with responsibility for all compliance and regulatory control matters relating to this Regulatory Settling Agreement and which embraces the following principles:

(a) A Chief Compliance Officer of North America (the “Compliance Officer”), who, with respect to the Zurich Insurers, currently has direct reporting responsibility to the Zurich Financial Services Group Compliance Officer and to the Chief Executive Officer of Zurich North America Commercial; *provided however*, that the Compliance Officer shall not be retained, compensated, disciplined or dismissed by any person other than the Zurich Financial Services Group Compliance Officer with the concurrence of the Chief Executive Officer of any company with respect to which the Compliance Officer has compliance responsibility, who together shall also be solely responsible for approving a budget and resources for the Compliance Office.

(b) The Compliance Office shall be funded and staffed in sufficient amounts to provide reasonable assurances that the Zurich Insurers will not engage in the acts, practices or courses of conduct that are the subject of this litigation.

(c) The development or strengthening of a training program (including written or online training materials, resources and advisories) for all executive officers and employees that emphasizes the culture of compliance and a supervision and control environment designed to: (i) foster compliance with applicable laws and regulations; (ii) assist

with the detection and prevention of criminal and inappropriate conduct; and, (iii) otherwise meet the requirements of the United States Sentencing Guidelines for compliance programs.

(d) The enhancement or creation of a program pursuant to which the Compliance Officer reports findings and recommendations to the Chief Executive Officer of Zurich North America Commercial, with further reporting of material findings or recommendation that are not timely addressed to the Zurich Financial Services Group Compliance Officer or Group General Counsel, and through these individuals, to the Board of Directors of Zurich Financial Services as necessary.

(e) The enhancement or implementation and publication of a electronic/telephonic facility for recordation and archiving of reports (including those provided anonymously) by Zurich Insurer officials and employees of complaints respecting violations of laws, regulations, fiduciary duties, and/or the Zurich Insurers' policies, practices and procedures by any official or employee of a Zurich Insurer.

(f) Consultation by the Compliance Officer with experienced compliance counsel to provide advice and assistance to the Compliance Officer in connection with the investigation, evaluation and prosecution of violations of laws, regulations and prescribed policies, practices and procedures applicable to the Zurich Insurers' operations.

(g) The enhancement or development of a disciplinary program to ensure that instances of misconduct are recorded and disposed of according to a graduated scale of sanctions, including reprimand, reduction or suspension of bonus, reduction in base compensation, suspension or degradation of title and/or supervisory responsibility, and dismissal (with or without severance benefits).

(h) Such special policies, practices, training and procedures as the Compliance Office deems necessary and appropriate to provide effective supervision and oversight to the business conducted by the Zurich Insurers' excess casualty operations.

(i) The enhancement or development of a records retention policy designed to ensure that electronic and hard copy documentation respecting quotations for Commercial Insurance Policies provided to prospective insureds, but not bound, are maintained until such time as, from time to time, an internal audit of such quotations is undertaken and completed.

c. The Compliance Office, with the assistance of experienced compliance counsel, shall, on a continuing basis, be responsible for the following:

(1) Furnishing a copy of the Order within thirty (30) business days of entry of same to each of the Zurich Insurers' officers and directors, and to each of the Zurich Insurers' employees (and their supervisors) who has authority to underwrite, quote, bid, write or contract Commercial Insurance Policies; *provided* that the Compliance Officer need not provide a copy of the Order to employees whose functions are purely clerical or manual and do not include quoting, writing or selling Commercial Insurance Policies;

(2) Furnishing within thirty (30) business days a copy of the Order to any person who succeeds to a position described in Paragraph II.C.1.c(1);

(3) Arranging for an annual briefing to each person described in Paragraph II.C.1.c(1) on the meaning and requirements of the Order and all laws covered by it;

(4) Obtaining from each of the Zurich Insurers' officers and directors certification that he or she: (i) has read and, to the best of his or her ability, understands and

agrees to abide by the terms of the Order; (ii) does not have specific knowledge of any violation of the Order that has not been reported to the Compliance Officer; and (iii) understands that any person's knowing failure to comply with the Order may result in an enforcement action for contempt of court against such person for violation of the Order;

(5) Maintaining: (i) a record of certifications received pursuant to Paragraph II.C.1.c(4); (ii) a file of all documents related to any alleged violation of the Order and laws covered by the Order; and (iii) a record of all communications related to any such violation, which shall identify the date and place of the communication, the person(s) involved, the subject matter of the communication, and the results of any related investigation; and

(6) Reviewing the final draft of each speech made by any officer or director addressing the provision of bids respecting Commercial Insurance Policies in order to ensure its adherence with the Order.

d. The Compliance Program shall address at least the following topics:

- (1) federal antitrust laws;
- (2) state antitrust laws;
- (3) state unfair insurance practice laws;
- (4) state insurance laws and regulations;
- (5) the fiduciary obligation of Broker or Agent to clients; and
- (6) the overall obligation of the Zurich Insurers' employees not to

engage in conduct that is fraudulent or deceptive, or to aid others who are engaging or attempting to engage in fraudulent or deceptive conduct.

e. Within sixty (60) business days of entry of the Order, the Zurich Insurers shall present to the Settling Attorneys General and the Settling Insurance Regulators a written report that it has implemented or is in the process of implementing a compliance program consistent with the terms set out in the Order for their review.

f. If the Compliance Officer learns of any violation of any of the terms and conditions contained in this Regulatory Settlement Agreement, he or she shall take steps to ensure that the Zurich Insurers immediately take appropriate action to terminate or modify the activity so as to comply with this Regulatory Settlement Agreement and the Zurich Insurers shall report any such violations and any related corrective action to the Settling Attorneys General and the Settling Insurance Regulators no later than twenty (20) days after determining that a violation in fact occurred.

g. If the Zurich Insurers believe the duties of specific employees are significantly specialized, they may offer specialized compliance programs for those employees.

h. The Settling Attorneys General and/or the Settling Insurance Regulators may, at their expense and upon reasonable notice, attend and witness the presentation of any compliance presentations required by this Regulatory Settlement Agreement.

i. The Settling Attorneys General and the Settling Insurance Regulators may jointly retain, at the Zurich Insurers' expense, an expert in the insurance industry to assist them in reviewing any aspect of the legal compliance program that the Zurich Insurers adopt pursuant to the terms of this Regulatory Settlement Agreement.

## 2. CEASE AND DESIST

a. The Zurich Insurers shall not directly or indirectly knowingly provide or offer any Broker or Agent placing, renewing, consulting on or servicing any Commercial Insurance Policy a false, fictitious, inflated, artificial, "B," alternative, back-up or throw away bid, quote or indication, or any other quote or indication that is not based upon bona fide business, actuarial or underwriting considerations when the quote or indication is given.

b. The Zurich Insurers shall not enter into, engage in, or solicit or otherwise seek to enter any agreement, not permitted by applicable law, with any Broker or Agent, or with any insurance company, reinsurance company, insurance exchange, or any person employed by, or an agent of, any such entity to allocate customers or markets, to rig bids or quotes, or to submit bids or quotes that would violate Paragraph II.C.2.a.

c. The Zurich Insurers shall not directly or indirectly pay or accept a request to pay any Compensation to a Broker or Agent as a quid pro quo for the Broker's or Agent's inclusion of the Zurich Insurers on a list of insurance companies from which the Broker or Agent will solicit bids or quotes for clients, nor enter into any other type of "pay-to-play" arrangement.

d. The Zurich Insurers shall not engage in any agreement not permitted by applicable law, to fix or stabilize prices, rig bids, allocate customers or engage in any other conduct that constitutes a violation of the federal antitrust laws, state antitrust laws, unfair insurance practices laws, or any other insurance laws or regulations.

## 3. COOPERATION WITH SETTLING INSURANCE REGULATORS

a. Within 120 days of the closing of each calendar year that falls within the Term, the Zurich Insurers shall submit to the Settling Attorneys General and the Settling



Insurance Regulators a report demonstrating their compliance with all of the provisions of this Regulatory Settlement Agreement; *provided* that the Settling Insurance Regulators shall, consistent with state law, keep confidential any information contained in the Annual Report that is marked confidential by the Zurich Insurers.

b. The terms of this Regulatory Settlement Agreement are binding on the Zurich Insurers, their directors, officers, managers, employees, successors and assigns, including, but not limited to, any person or entity to whom the Zurich Insurers or any of them may be sold, leased or otherwise transferred, during the Term.

c. The Zurich Insurers shall continue to fully and promptly cooperate with the Settling Attorneys General and the Settling Insurance Regulators with regard to any regulatory investigation or related proceeding or action regarding any person, corporation or entity, including but not limited to, former employees of a Zurich Insurer; *provided* that each person who receives documents or information pursuant to this paragraph shall, consistent with state law, (i) keep the documents or information confidential and (ii) if consistent with state law, return any documents or information received from the Zurich Insurers by no later than ten (10) days following the date on which any regulatory investigation or related proceeding or action is concluded. Cooperation shall include, without limitation:

(1) the voluntary production (without service of subpoena) of (i) any and all non-privileged information and documents or other tangible evidence reasonably available and requested by a Settling Attorney General or a Settling Insurance Regulator in connection with an Investigation and (ii) any compilation or summaries of information or data

that a Settling Attorney General or a Settling Insurance Regulator reasonably request be prepared;

(2) the use of reasonable best efforts on the part of the Zurich Insurers to ensure that current and former officers, directors, employees and agents of a Zurich Insurer fully and promptly cooperate with the Settling Attorneys General and Settling Insurance Regulators in connection with any Investigation or related proceeding, including attendance (without service of a subpoena) at any proceeding as requested by a Settling Attorney General or a Settling Insurance Regulator; and

(3) With respect to any document withheld or redacted on the grounds of privilege, work product or other legal doctrine, submission of a written log by the Zurich Insurers indicating: (i) the type of document; (ii) the date of the document; (iii) the author and each recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document.

d. The actual or potential applicability of the McCarran-Ferguson Act to the conduct covered by the documents or witnesses requested pursuant to paragraphs II.C.3.c(1)-(2) shall not be a basis for withholding information in response to such a request.

e. To determine or secure the cooperation contemplated by this Regulatory Settlement Agreement, and without limiting otherwise applicable law, any duly authorized representative of a Settling Attorney General or a Settling Insurance Regulator shall be permitted, upon reasonable notice and during normal business hours:

(1) Access to all non-privileged book, ledgers, accounts, correspondence, memoranda, other records, and documents in the possession or under the control

of a Zurich Insurer, as applicable, relating to any matters contained in this Regulatory Settlement Agreement; and,

(2) To interview officers, managers or employees of the Zurich Insurers, as applicable, regarding any matters contained in this Regulatory Settlement Agreement.

#### 4. DISCLOSURE OF COMPENSATION

a. As of the Commencement Date, each of the Zurich Insurers shall require, in connection with the placement or renewal of a Commercial Insurance Policy issued by a Zurich Insurer, that each Broker or Agent has undertaken to provide each Insured with Disclosure. For purposes of Regulatory Settlement Agreement, the terms:

(1) “Base Compensation” means a retail or wholesale commission paid by a Zurich Insurer to a Broker or Agent in connection with the placement of a Commercial Insurance Policy that is a percentage of the premium that will be paid by the Insured on the Commercial Insurance Policy.

(2) “Broker or Agent” means an insurance producer licensed to do business as such in any state within the United States, that, collectively with its affiliates and any of their respective employees, receives any Compensation from a Zurich Insurer in connection with the placement of insurance for an Insured or represents the Insured with respect to that placement; *provided however*, that the term Broker or Agent shall not include an insurance producer that has been appointed a Captive Agent by a Zurich Insurer and that discloses to the Insured or a representative of the Insured that the insurance producer or its affiliate or their

employees will receive Compensation from a Zurich Insurer in connection with that placement and/or for the provision of services to the Insured for the Zurich Insurer.

(3) “Captive Agent” means a representative of a Zurich Insurer who is obliged to submit specified business only to a Zurich Insurer or to give a Zurich Insurer first-refusal rights on the placement of a Commercial Insurance Policy.

(4) “Commencement Date” means, for Commercial Insurance Policies, one hundred eighty (180) days from the execution date of the AG Settlement Agreement.

(5) “Commercial Insurance Policy” means any contract, policy, agreement or binder of insurance sold to a commercial or business enterprise or a governmental entity; *provided however*, that Commercial Insurance Policy does not include insurance respecting a natural person’s personal real property, personal automobile, life, disability or health coverage; *provided further* that Commercial Insurance Policy shall not include any contract, policy, agreement or binder of insurance that is or was effective on or before Commencement Date unless such contract, policy, agreement or binder of insurance is renewed or extended for a period in excess of thirty (30) days after the Commencement Date.

(6) “Compensation” means anything of material value received by a Broker or Agent directly from a Zurich Insurer, including, but not limited to, monetary payments, Base Compensation, Contingent Compensation, brokerage fee, service fee, incentive, rebate, money, credit, loan, forgiveness of debt, forgiveness of principal or interest, vacation, prize, gift or the payment of employee salaries or expenses; *provided however*, that the term Compensation shall not include any *de minimis* fee or amount collected by or paid to the Broker

or Agent that does not exceed the total established by Department of Insurance for such fees or amounts.

(7) “Contingent Compensation” means Compensation paid by a Zurich Insurer to a Broker or Agent that is contingent upon the Broker or Agent: a) placing a particular number of policies or dollar value of premium with the Zurich Insurers; b) achieving a particular level of growth in the number of policies placed or dollar value of premium with the Zurich Insurers; c) meeting a particular rate of retention or renewal of policies in force with the Zurich Insurers; d) placing or keeping sufficient insurance business with the Zurich Insurers to achieve a particular loss ratio or any other measure of profitability; or e) obtaining anything else of material value for a Zurich Insurer.

(8) “Disclosure” means a Disclosure Statement delivered prior to the time at which the Commercial Insurance Policy is bound.

(9) “Disclosure Statement” means a written statement substantially in the form found in Exhibit A advising the Insured of the Compensation that may be paid to the Broker or Agent in connection with the placement of one or more Commercial Insurance Policies; *provided* that the Zurich Insurers shall notify and seek the approval of the Settling Attorney Generals and the Settling Insurance Regulators prior to making any material change to Exhibit A. The Disclosure Statement shall include the following information:

(a) If Base Compensation is paid in connection with the placement of the Commercial Insurance Policy: the maximum percentage of the premium that will be paid as Base Compensation for each Commercial Insurance Policy the Broker or Agent places with the Zurich Insurers;

(b) If Contingent Compensation may be paid to the Broker or Agent in connection with the placement of the Commercial Insurance Policy: (i) the maximum percentage of Contingent Compensation that could be paid to the Broker or Agent, (ii) the average percentage of Contingent Compensation paid by the Zurich Insurers in the immediately preceding calendar year and (iii) the factors the Zurich Insurers will consider in determining the percentage of Contingent Compensation (if any) to pay to the Broker or Agent;

(c) If any other Compensation may be paid to the Broker or Agent in connection with the placement of the Commercial Insurance Policy, how such Compensation will be determined;

(d) A website address where a Website Disclosure will be available to the Insured; and

(e) Other contact information, including a toll-free telephone number, that the Insured can use to obtain additional information regarding Compensation to the Broker or Agent.

(10) “Insured” means an individual or entity who purchased a Commercial Insurance Policy from a Broker or Agent (a) where the individual or entity was either domiciled in or resident in, or had any other significant contact with, the United States or (b) where the Commercial Insurance Policy was (i) entered into in the United States, (ii) subject to federal law or to the law of any of the states of the United States, or (iii) provided coverage for an insurable exposure in the United States.

(11) “Manner and Method” means

(a) when used with reference to Base Compensation, the range of *Base Compensation* the Zurich Insurers paid in the immediately preceding calendar year respecting the specific types of *Commercial Insurance Policies* to which the *Disclosure* applies, the average amount of *Base Compensation* paid for each such *Commercial Insurance Policy* in the immediately preceding calendar year and the factors considered in determining the Base Compensation that will be paid for each such Commercial Insurance Policy;

(b) when used with reference to Contingent Compensation, the range of Contingent Commission that may be paid pursuant to the *Contingent Compensation* agreement (if any) between the *Broker or Agent* and the Zurich Insurer, the average amount of Contingent Compensation paid pursuant to such agreement in the immediately preceding calendar year and the factors considered in determining the range of Contingent Compensation under such agreement (including whether the amount of Contingent Compensation is calculated with reference to (i) placing a particular number of policies or dollar value of premium with a Zurich Insurer, (ii) achieving a particular level of growth in the number of policies placed or dollar value of premium with a Zurich Insurer, (iii) meeting a particular rate of retention or renewal of policies in force with a Zurich Insurer, (iv) placing or keeping sufficient insurance business with a Zurich Insurer to achieve a particular loss ratio or any other measure of profitability or (v) obtaining anything else of material value for a Zurich Insurer).

(12) “Website Disclosure” means publication on a Zurich Insurer’s website of the Manner and Method of Compensation that may be paid for each kind of Commercial Insurance Policy offered by the Zurich Insurer.

b. The disclosure provision set out in Paragraph II.C.4.a may be modified under the following circumstances:

(1) With the prior approval of the Settling Insurance Regulator(s) and the Settling Attorney(s) General, as applicable, in the State(s)/Commonwealth(s) where the modified disclosure will be used.

(2) **Consistency of terms and conditions:** To the extent that a Settling Insurance Regulator requires that one or more of the insurers identified as “Insurer Defendants” in the Consolidated Complaint that has engaged in substantially similar conduct provide disclosure in that Settling Insurance Regulator’s state respecting Compensation that is different from that required of the Zurich Insurers, the Zurich Insurers may, upon notification to that Settling Insurance Regulator and, if the attorney general for the relevant state or commonwealth is a Settling Attorney General, then also to that Settling Attorney General, modify the disclosure that they are required to provide pursuant to the terms of this Regulatory Settlement Agreement to be consistent with the disclosure required of such Insurer Defendant(s) in that Settling Insurance Regulator’s State/Commonwealth.

(3) **Market Disruption:** To the extent that the Zurich Insurers believe that they (or any of them) have suffered a market reduction in any reporting unit as a result of complying with the disclosure provision of this Regulatory Settlement Agreement, then the Zurich Insurers may petition the Settling Insurance Regulators for a modification of such provision by making such assertion to the Chair of the Broker Activities Task Force of the National Association of Insurance Commissioners (the “NAIC Task Force”) (or, if such NAIC Task Force has been dissolved, the Illinois Department of Insurance (the “Illinois DOI”)), who



will initiate an expedited process to review the Zurich Insurers' assertion and, after providing the Attorney General of the Commonwealth of Pennsylvania with notice and an opportunity to comment, shall issue findings of fact and a recommendation respecting the requested modification request; *provided* that if the Chair of the NAIC Task Force (or, as the case may be, the Illinois DOI) finds that the Zurich Insurers have suffered such a reduction and recommends a modification of the disclosure provision, each of the Settling Insurance Regulators shall review such findings and recommendation on an expedited basis, giving them considerable weight, and shall adopt the recommended modification or such other modification as may be consistent with the purposes of this paragraph to address any market disruption, unless such Settling Insurance Regulator disagrees with the findings and/or recommendation, or concludes that they are not applicable in its State/Commonwealth, in which case the basis and reasons for rejecting the findings and/or recommendation shall be set forth in writing; *provided* that the Zurich Insurers shall retain all rights under applicable law to obtain review of such decision by such Settling Insurance Regulator.

**D. NON-ADMISSIBILITY OF AGREEMENTS AND PROCEEDINGS**

1. Nothing in the MOU, this Regulatory Settlement Agreement, the Order, the AG Settlement Agreement or any Parallel Agreement shall be admissible or serve as the basis of any disqualification for any license, privilege, grant or authority or eligibility to hold any position in any State Proceeding as to any Zurich Releasee (as that term is defined in Paragraph II.E below) in connection with any State Proceeding. For purposes of this paragraph, the term State Proceeding shall mean any proceeding (whether formal or informal, administrative or judicial) brought by or on behalf of or before any state entity, including without limitation, a

proceeding in which any license or permit issued to a Zurich Releasee or the ability of a Zurich Releasee to do business is either challenged or being considered for any reason by such state entity; *provided however*, that nothing in this paragraph shall prohibit a state entity from enforcing any provision of this Regulatory Settlement Agreement.

**E. RESOLUTION OF CLAIMS AND INVESTIGATIONS**

1. Upon execution of this Regulatory Settlement Agreement, the Settling Insurance Regulators shall terminate each and every existing investigation, inquiry, claim and/or proceeding (whether formal or informal) as to any Zurich Insurer, as to any of a Zurich Insurer's respective parents, predecessors, successors, affiliates (as defined in 17 C.F.R. Part 210.1-02.b), divisions, business units and subsidiaries (including, without limitation, Zurich Financial Services), and as to any current or former director, officer or employee of any of the foregoing (collectively, the "Zurich Releasees") directly relating to the acts, practices or courses of conduct that are the subject of the Investigations as specifically set forth in the Consolidated Complaint or relating to any acts, practices or courses of conduct that are addressed in the Class Action Claims; *provided however*, that Zurich Releasees shall not include (i) any individuals who were former officers or employees of the Zurich Insurers' business unit that was known as the Marsh & McLennan Global Broking unit (also known as the Zurich Insurers' MMGB Unit) and who are no longer officers or employees of a Zurich Releasee or (ii) any entity that may, following the execution of the AG Settlement Agreement, become a successor, parent or acquirer of the Zurich Insurers or any of them, but such entity shall not be a Zurich Releasee only with respect to such entity's participation, prior to becoming a successor parent or acquirer of the Zurich

Insurers or any of them, in acts, practices or courses of conduct that are the subject of the Investigations.

2. None of the Settling Insurance Regulators shall initiate any new, or reinstate any terminated, investigation, inquiry, claim and/or proceeding (whether formal or informal) as to any Zurich Releasee where the investigation, inquiry, claim and/or proceeding is based upon the acts, practices or courses of conduct that are the subject of the Investigations or that are based upon the acts, practices or courses of conduct that are addressed in the Class Action Claims.

3. Nothing in Paragraphs II.E.1 and II.E.2 above shall be deemed to release any individual or entity (including any broker, insurer, defendant in the Class Action, or individual or entity specifically excluded from the term “Zurich Releasee” in the proviso to Paragraph II.E.1) other than those individuals and entities that are within the definition of Zurich Releasees.

4. Nothing in Paragraphs II.E.1 and II.E.2 shall be deemed to preclude a Settling Insurance Regulator’s or a Settling Attorney General’s review of acts, practices or courses of conduct that occur after the execution date of the AG Settlement Agreement.

### **ARTICLE III** **OTHER PROVISIONS**

1. The Settling Insurance Regulators will support before the Class Action Court the Class Action Court’s approval of all terms and conditions of the MOU as incorporated into the Class Action settlement other than those relating to the payment of attorneys’ fees and expenses to plaintiffs’ counsel in the Class Action, with respect to which the Settling Insurance Regulators shall take no position.

2. The fact that the Zurich Insurers have entered into this Regulatory Settlement Agreement is not intended to disqualify any Zurich Releasee from engaging in any business in

any state. Nothing in this Regulatory Settlement Agreement shall relieve any of the Zurich Releasees from obligations imposed by any applicable state insurance law or regulation, or other applicable law.

3. This Agreement is not intended to and shall not confer any rights upon any persons or entities besides the Settling Insurance Regulators and the Zurich Releasees.

4. The Zurich Insurers shall maintain custody of, or make arrangements to have maintained, all documents and records that relate to the acts, practices or courses of conduct that are the subject of the Investigations for a period of not less than six (6) years.

5. Subject to paragraph II.C.4.b(1), if compliance with any aspect of this Regulatory Settlement Agreement proves impracticable, the Zurich Insurers reserve the right to request from the Settling Insurance Regulators a modification to this Regulatory Settlement Agreement accordingly.

6. Whenever this Regulatory Settlement Agreement requires that notice be provided, such notice shall be provided by certified or registered mail, return receipt requested, postage prepaid or by hand delivery to:

*If to the Settling Insurance Regulators:*

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*If to the Zurich Insurers:*

Ralph C. Ferrara, Esq.  
Stephen A. Best, Esq.  
Ann M. Ashton, Esq.  
David S. Turetsky, Esq.  
LeBoeuf, Lamb, Greene & MacRae LLP  
1875 Connecticut Avenue, N.W.  
Suite 1200  
Washington, D.C. 20009  
Telephone: (202) 986-8000

Alice Kane, Esq.  
Zurich North America  
105 E. 17th Street  
New York, New York 10004  
Telephone: (917) 534-4500

David Bowers, Esq.  
Zurich North America  
1400 American Lane  
Schaumburg, Illinois 60196  
Telephone: (847) 605-6000

7. This Regulatory Settlement Agreement shall be governed by and interpreted according to the laws of the State of Illinois, excluding its conflict of laws provisions.

8. Subject to paragraph II.C.4.b(1), all matters relating to the enforcement and interpretation of this Regulatory Settlement Agreement in any particular state shall be subject to the jurisdiction of the appropriate administrative body or state courts of such state; *provided however*, that any administrative body's or state court's exercise of subject matter jurisdiction over this Regulatory Settlement Agreement shall not constitute a basis for nor give rise to personal jurisdiction over Zurich Financial Services.

9. Nothing in this Regulatory Settlement Agreement shall prevent or otherwise restrict a Settling Insurance Regulator from pursuing regulatory action against a Zurich Insurer

for regulatory issues that are unrelated to claims released pursuant to paragraphs II.E.1 and II.E.2 above.

10. Nothing in this Regulatory Settlement Agreement or any of its terms and conditions shall be interpreted to alter in any way the contractual terms of any insurance policy sold, assumed or acquired by a Zurich Insurer.

11. In agreeing to the terms of the Regulatory Settlement Agreement, each of the Zurich Insurers waives its rights to an administrative hearing and appeal under the applicable laws of the state represented by each Settling Insurance Regulator.

12. Each Settling Insurance Regulator, on behalf of his or her respective state, hereby gives express assurance that under the applicable laws, regulations and judicial rulings, he or she has the authority to enter into this Regulatory Settlement Agreement and bind that state now and in the future. By execution of this Regulatory Settlement Agreement with the Zurich Insurers, each Settling Insurance Regulator acknowledges that he/she agrees with the terms and conditions as set forth in the Regulatory Settlement Agreement.

13. This Regulatory Settlement Agreement may be signed in counterparts, each of which shall constitute a duplicate original. Execution by facsimile or by an electronically transmitted signature shall be fully and legally binding on a Settling Insurance Regulator and each of the Zurich Insurers.

14. At any time prior to the date on which the Class Action Court's approval of the Class Action settlement agreement becomes final and no longer subject to appeal, each of the parties to this Regulatory Settlement Agreement shall have the right, but not the obligation, to terminate this Regulatory Settlement Agreement if (i) the MOU is terminated, (ii) any settlement

agreement executed in the Class Action is terminated, (iii) the AG Settlement Agreement is terminated or (iv) any court refuses to enter the Order in a form substantially and materially consistent with Exhibit C. If this Regulatory Settlement Agreement is terminated, it shall be null and void and shall have no force or effect, and neither the Zurich Insurers nor the Settling Insurance Regulators shall be bound by any of its terms, except as follows:

a. The provisions of Paragraph II.B.2.a(1) relating to the refund of the State Payment from the escrow account shall continue in effect.

b. Neither this Regulatory Settlement Agreement, nor the fact of its having been made, shall be admissible or entered into evidence for any purpose whatsoever.

c. Neither the Zurich Insurers' agreement to the terms set out in this Regulatory Settlement Agreement nor its execution of this Regulatory Settlement Agreement shall constitute or be construed to be an admission by the Zurich Insurers or any of them that any wrongdoing has taken place, that any federal or state laws or common law have been violated, or that any antitrust injury has occurred.

Executed this 20th day of March, 2006.

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[Insurance Commissioner]  
[Department of Insurance]

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Axel P. Lehmann  
Chief Executive Officer  
Zurich American Insurance Company,  
Steadfast Insurance Company, Fidelity &  
Deposit Company of Maryland, Empire Fire &  
Marine Insurance Company, American  
Guarantee & Liability Insurance Company,  
Empire Indemnity Insurance Company, and  
Assurance Company of America

**Zurich Agent/Broker Compensation Policy**

Most insurance companies providing commercial coverage in the United States distribute their insurance products through the independent agency and brokerage system. Your agent or broker is an independent businessperson or team of people not employed by Zurich or any other insurance company.

Most agents and brokers choose to be compensated for their services through the insurance companies with whom they place the insurance that they sell to their customers.

**Base Commission**

Zurich will pay your agent or broker a commission. Zurich establishes its base commission on several factors including the type of insurance policy, the size of the insurance policy, and individual policy underwriting considerations. Each insurance policy has a standard commission which is the most that Zurich will pay. The standard commission for the types of policies Zurich is quoting is:

Policy 1 _____%	Policy 3 _____%
Policy 2 _____%	Policy 4 _____%

If you have chosen to compensate your agent or broker directly or you have not consented to your agent or broker taking a commission, you should speak directly to your agent or broker.

**Contingent Compensation**

**[May be deleted if no agreement with broker to pay contingent commissions]**

Zurich may also pay contingent compensation to your agent or broker. Zurich does not pay contingent compensation to all of its agents and brokers, and some agents and brokers choose not to accept contingent compensation from insurance companies. Contingent compensation is paid in addition to the base commission. Contingent compensation is not calculated until the end of the year. The amount will be a percentage of premiums based on several factors that determine how profitable your agent's or broker's insurance is for Zurich including [to be modified if factors changed]:

1. The total premium written for all eligible business in a year
  - Zurich pays a percentage of the eligible premiums in addition to the "Base Commission."
2. Achievement of targeted premium levels
  - Zurich sets reasonable targets of premiums that will be placed with Zurich by your agent or broker each year. If that target is reached, then your agent or broker is paid an additional amount on the eligible premiums.
3. The profitability of the business
  - For each agent and broker, Zurich calculates the ratio of the total value of the claims over the premiums. The resulting ratio generates a payment. Lower ratios generate higher payments



because lower ratios mean that the result is more profitable to Zurich. We do not disclose the actual ratio and payment percentages.

4. Preferred business considerations

- We have unique agreements with some agents and brokers to place particular types of business with us. These agreements may result in the payment of additional commission for such policies.

The maximum percentage for contingent compensation is 6.75%. The average paid in 2005 was \_\_\_%.

**Visit Zurich's Web Site**

For a more complete explanation of the nature of compensation Zurich pays to agents/brokers—including specific information on the maximum, average and actual ranges of commission paid by Zurich on the specific types of policies we are currently quoting for your company, please go to [www.zurichna.com/yourcompany](http://www.zurichna.com/yourcompany). This web site includes a full explanation of the formula for developing contingent compensation if your agent or broker is eligible for contingent compensation from Zurich. Alternatively, you may call 1-800-xxx-xxxx to obtain the information.

**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

	)	
<b>In re</b>	)	
	)	
<b>INSURANCE BROKERAGE</b>	)	<b>MDL No. 1663</b>
<b>ANTITRUST LITIGATION</b>	)	
	)	<b>Civil No. 04-5184 (FSH)</b>
	)	
	)	

**MEMORANDUM OF UNDERSTANDING**

WHEREAS, Zurich Financial Services Group, Zurich American Insurance Company, Steadfast Insurance Company, Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company, American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company, and Assurance Company of America (collectively, the “Zurich Defendants”) have been named as defendants in a putative class action styled *In re Insurance Brokerage Antitrust Litigation*, MDL No. 1663, Civil No. 04-5184 (FSH) (the “Action”), alleging that the Zurich Defendants, among other things, engaged in certain conduct in violation of federal and state statutes and common law (the “Class Action Allegations”); and

WHEREAS, Zurich Financial Services is the indirect parent of the Zurich Defendants (other than Zurich Financial Services Group (corrected to be Zurich Financial

Services)) and any and all of their respective parents, predecessors, successors, affiliates (as defined in 17 C.F.R. Part 210.1-02.b), divisions, business units and subsidiaries; and

WHEREAS, Zurich Financial Services Group is not a legal entity; and

WHEREAS, the Zurich Defendants and certain of their insurance subsidiaries and insurance affiliates (collectively, the “Zurich Insurers”) are the subject of certain governmental investigations, inquiries or proceedings that have been, or that are threatened to be, initiated (the “Governmental Proceedings”) by state regulatory or prosecutorial entities (the “Governmental Entities”) based upon the allegations that give rise to the claims made or that could have been made in this Action (the “Governmental Entity Claims”); *provided* that the currently pending Governmental Proceedings are listed in Exhibit A and the Zurich Insurers currently involved in Governmental Proceedings are listed in Exhibit B; *provided further* that both Exhibit A and Exhibit B are subject to modification or expansion by the Zurich Defendants to reflect new Governmental Proceedings (if any) that may be initiated and shall not be deemed to be exclusive; and

WHEREAS, a May 25, 2005 order in the Action (the “May 25 Order”) appointed the law firms of Milberg Weiss Bershad & Shulman LLP and Miller Faucher and Cafferty LLP as Co-Lead Counsel of the Plaintiffs’ Executive Committee (“Co-Lead Counsel”); and

WHEREAS, as of September 30, 2005, plaintiffs have obtained in excess of 12 million pages of documents from various defendants in the Action; and

WHEREAS, the May 25 Order provides that Co-Lead Counsel shall, among other things, conduct settlement negotiations on behalf of plaintiffs in this Action (“Plaintiffs”) and enter binding agreements with respect to settlement as expressly authorized; and

WHEREAS, consistent with the May 25 Order, Co-Lead Counsel has conducted extensive settlement negotiations with the Zurich Defendants on behalf of Plaintiffs and has been expressly authorized to enter into this Memorandum of Understanding (“MOU”) on behalf of Plaintiffs; and

WHEREAS, this MOU sets out the principal terms of an agreement between the Zurich Defendants and Plaintiffs (the “Settling Parties”) pursuant to which the Settling Parties agree to settle the claims that have been made or that could have been made against the Zurich Defendants in the Action; and

WHEREAS, the Governmental Proceedings have focused principally on excess casualty insurance policies sold by one or more of the Zurich Defendants through a unit exclusively dedicated to selling insurance policies brokered through Marsh & McLennan during the years 2001 through 2004; and

WHEREAS, this MOU contains certain termination provisions pursuant to which the MOU may be terminated, including with respect to the Zurich Insurers’ inability successfully to resolve each and every Governmental Proceedings; and

WHEREAS, if none of the termination provisions found in this MOU is triggered, the Settling Parties shall be bound to execute a Settlement Agreement consistent with the terms set out in this MOU; and

WHEREAS, this MOU provides that, subject to consummation of a Settlement Agreement as set out below, the Zurich Defendants shall pay or cause to be paid to Settlement Class Members (as defined below) a Settlement Amount (as defined below) consistent with the terms of this MOU and that such Settlement Amount shall be distributed to Settlement Class Members, subject to Court approval, pursuant to a plan of allocation (the "Plan of Allocation"); and

WHEREAS, the Settling Parties agree that, to facilitate the Zurich Insurers' resolution of the Governmental Entity Claims, the Plan of Allocation shall be prepared by Co-Lead Counsel in consultation with the Governmental Entities and shall take account of the alleged damages and the equities of the Settlement Class; and

WHEREAS, neither the Zurich Defendants' agreement to the principal terms set out in this MOU, their execution of this MOU nor their good faith negotiation and execution of a Settlement Agreement shall constitute or be construed to be an admission by the Zurich Defendants, by the Zurich Insurers, by Zurich Financial Services or by any of them that any wrongdoing has taken place, that any federal or state laws or common law have been violated, or that any antitrust injury has occurred; and

WHEREAS, the Settling Parties have agreed that they will act in good faith to reach a Settlement Agreement consistent with the terms set out in this MOU; and

WHEREAS, the Settling Parties wish to memorialize the principal terms of their agreement in this MOU.

NOW, THEREFORE, the Settling Parties, by and through their duly authorized representatives, enter into this MOU pursuant to which they agree as follows:

## PRINCIPAL TERMS OF SETTLEMENT

A. Subject to Section B below, the Settling Parties shall negotiate a Settlement Agreement in good faith, the principal terms of which shall be as follows:

1. The Settlement Class Period shall be from August 26, 1994 to September 1, 2005, inclusive.
2. The Settlement Class shall consist of all individuals or entities who, during the Class Period, engaged the services of (i) one of the Broker Defendants or any subsidiary or affiliate of a Broker Defendant (as the term "Broker Defendant" is defined in the First Consolidated Amended Commercial Class Action Complaint filed in the Action on or about August 1, 2005 (the "Consolidated Complaint")) in connection with the purchase or renewal of insurance or reinsurance pursuant to a contract, policy, agreement, arrangement or understanding with any Insurer Defendant (as that term is defined in the Consolidated Complaint) where the insurance or reinsurance (a) involved an insured or a policy owner or an affiliate thereof, any of which was either domiciled in or resident in, or had any other significant contact with, the United States, its territories or possessions, (b) involved a contract, policy, agreement, arrangement or understanding entered into in the United States, its territories or possessions, (c) involved a contract, policy, agreement, arrangement or understanding subject to federal law or to the law of any of the states of the United States, its territories or possessions, or (d) provided coverage for an insurable exposure in the United States, its territories or possessions, or (ii) any other broker in connection with the purchase or renewal of insurance or reinsurance pursuant to a contract, policy, agreement, arrangement or understanding with

a Zurich Insurer where the insurance or reinsurance (a) involved an insured or a policy owner or an affiliate thereof any of which was either domiciled in or resident in, or had any other significant contact with, the United States, its territories or possessions, (b) involved a contract, policy, agreement, arrangement or understanding entered into in the United States, its territories or possessions, (c) involved a contract, policy, agreement, arrangement or understanding subject to federal law or to the law of any of the states of the United States, its territories or possessions, or (d) provided coverage for an insurable exposure in the United States, its territories or possessions; *provided* that the Settlement Class shall be modified as necessary to include any other individuals or entities who are certified by the Court as members of any other class in the Action.

3. Subject to Section B.2 relating to confirmatory discovery, the Zurich Defendants shall pay or cause to be paid one hundred million dollars (\$100,000,000) as the Settlement Amount, with such payment to be made within thirty (30) days following the date on which approval of the settlement becomes final and no longer subject to appeal; *provided* that the Zurich Defendants shall pay interest on the Settlement Amount, with such interest to be calculated at the one-year LIBOR rate for the period starting the day following the day on which the Court approves the Settlement Agreement until such date as the Settlement Amount is paid. The Zurich Defendants agree that, after reaching agreement on all the terms and conditions of consideration to the Settlement Class and the other material terms of the settlement, they will address with Plaintiffs the issue of the amount of fees and expenses to be paid to Plaintiffs. Subject to reaching an agreement with Plaintiffs as to the amount of fees and expenses to be paid to

Plaintiffs in connection with the settlement of the Action and subject to Court approval of such agreed-upon amount, the Zurich Defendants shall pay that amount of fees and expenses (or any lesser amount as ordered by the Court) to Plaintiffs in addition to the Settlement Amount.

4. Settlement Class Members shall release the Zurich Defendants, the Zurich Insurers, Zurich Financial Services, any and all of their respective parents, predecessors, successors, affiliates (as defined in 17 C.F.R. Part 210.1-02.b), divisions, business units and subsidiaries, and, subject to Section 8 below, each such entity's respective past and present directors, officers, employees, members, partners, principals, agents, attorneys and insurance carriers (but only to the extent such insurance carriers provide insurance coverage or indemnity to one or more Releasee for losses incurred in connection with the Action) (collectively, the "Releasees") from each and every claim, whether known or unknown, whether arising under any federal law, state law, foreign law, common law, rule, regulation or otherwise, (i) that has been asserted in the Action and/or in a Governmental Proceeding or (ii) that could have been asserted in the Action, in any forum by any Class Member or in a Governmental Proceeding against any of the Releasees where the claim, whether known or unknown, arises out of or is based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in the Consolidated Complaint and/or in a Governmental Proceeding (the "Released Claims"). Released Claims shall not include claims, whether known or unknown, of Settlement Class Members to enforce the terms of coverage contained in contracts of insurance or reinsurance issued by a Zurich Insurer or pending



claims (if any) related to (i) workers compensation (as identified in Exhibit C), (ii) securities fraud, (iii) derivative litigation or (iv) claims on behalf of beneficiaries of employee benefit plans sponsored by Releasees.

5. The Settling Parties shall request that the Court enter a complete bar order at the time the Court approves the Settlement Agreement, which complete bar order shall provide as follows:

a. Any and all persons and entities (who have not opted out) are permanently barred, enjoined and restrained from commencing, prosecuting or asserting any claim (whether such claims are legal or equitable, known or unknown, foreseen or unforeseen, matured or unmatured, accrued or unaccrued) against any Releasee arising under state, federal or common law, however styled, whether for indemnification or contribution or otherwise denominated, including, without limitation, claims for breach of contract and for misrepresentation, where the claim is based upon, arises out of, or relates to any claim in which such person or entity seeks to recover from any or all of the Releasees (i) any amounts such person or entity has paid or may become liable to pay to any of the Settlement Class Members with respect to any Released Claim that (a) has been asserted in the Action and/or in a Governmental Proceeding or (b) that could have been asserted in the Action, in any forum by any Settlement Class Member or in a Governmental Proceeding against any of the Releasees where the claim, whether known or unknown, arises out of or is based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in the Consolidated Complaint and/or in a Governmental Proceeding (collectively, the

“Barred Claims”) and/or (ii) any costs, expenses, or attorneys’ fees from defending Barred Claims. All Barred Claims are hereby extinguished, discharged, satisfied and unenforceable, subject to a hearing to be held by the Court, if necessary. This provision is intended to preclude any liability of any and all of the Releasees to any person or entity for indemnification, contribution, or otherwise on any Barred Claim; *provided that*, any judgment or award obtained by a Settlement Class Member against any defendant in the Action or against any third party shall be reduced by an amount or percentage (if any) equal to the amount or percentage determined by the Court under applicable law to be necessary to compensate such defendant or third party for the loss of any such Barred Claims against any or all of the Releasees.

b. Each and every Releasee is permanently barred, enjoined and restrained from commencing, prosecuting or asserting any claim (whether such claims are legal or equitable, known or unknown, foreseen or unforeseen, matured or unmatured, accrued or unaccrued) against any person or entity (including any other Releasee) arising under state, federal, or common law, however styled, whether for indemnification or contribution, or otherwise denominated, including, without limitation, claims for breach of contract and for misrepresentation, where the claim is based upon, arises out of, or relates to any claim in which such Releasee seeks to recover from any person or entity, including another Releasee, (i) any amounts any such Releasee has paid or may become liable to pay to any of the Class Members with respect to any Barred Claim and/or (ii) any costs, expenses, or attorneys’ fees from defending any Barred Claims. All such Barred Claims are hereby extinguished, discharged, satisfied, and

unenforceable. However, notwithstanding anything stated in the complete bar order (or any other provision of the Settlement Agreement), if any person or entity commences, prosecutes or asserts any claim against any Releasee arising under state, federal, or common law, however styled, whether for indemnification or contribution, or otherwise denominated, including, without limitation, claims for breach of contract and for misrepresentation, where the claim is based upon, arises out of, or relates to any Barred Claim and such claim is not barred pursuant to the bar order, the bar order shall not bar any claims by that Releasee against the person or entity who has commenced, prosecuted or asserted the claim.

c. If, notwithstanding the bar order, a person or entity obtains a judgment against any or all of the Releasees on any Barred Claim to recover, directly or indirectly, from such Releasee, any amounts that the person or entity that obtained such judgment might become liable to pay to any of the Settlement Class Members the Settlement Class Members agree that they will reduce or credit any judgment or settlement (up to the amount of such judgment or settlement) that they might obtain against that person or entity by an amount equal to the amount of that person's or entity's judgment against the Releasee.

d. If any term of the complete bar order entered by the Court is held to be unenforceable after the date the Court enters the bar order, such provision shall be substituted with such other provision as may be necessary to afford all of the Releasees the fullest protection permitted by law from any claim that is based upon, arises out of, or relates to any Barred Claim.

e. Notwithstanding the bar order or anything else in the Settlement Agreement, nothing shall release, interfere with, limit or bar the assertion by any Releasee of any claim for insurance coverage under any insurance or indemnity policy that provides coverage respecting the conduct at issue in the Action.

6. Plaintiffs will support any motion filed by the Zurich Defendants with the Court seeking to have the Court declare as unenforceable any claim that the Zurich Insurers, or any one of them, are required to pay any contingent commissions under agreements, arrangements or understandings with the Broker Defendants (or any of their affiliates or subsidiaries).

7. The Settlement Agreement shall include as exhibits the following, among other, documents, which documents shall be submitted to the Court for approval at the time the Settlement Agreement is submitted to the Court:

- a. an individual notice to be mailed to Class Members.
- b. a summary notice to be published as agreed upon by the Settling Parties.
- c. a preliminary order that the Settling Parties will ask the Court to enter at the time it preliminarily approves the Settlement Agreement, which order shall include, among other things, (i) preliminary certification of the Settlement Class described above, (ii) findings regarding the adequacy of the notice and notice methodology pursuant to which notice will be provided to Settlement Class Members, and (iii) a preliminary injunction barring (a) Settlement Class Members (who have not opted out) from filing any other lawsuits or other proceedings based upon Released

Claims and (b) all persons or entities from filing any other lawsuits or other proceedings as a class action on behalf of Settlement Class Members (who have not opted out) based upon Released Claims.

d. a judgment that the Settling Parties will ask the Court to enter at the time it approves the Settlement Agreement.

e. an order approving the settlement that the Settling Parties will ask the Court to enter at the time it approves the Settlement Agreement, which order shall include, among other things, (i) final certification of the Settlement Class described above, (ii) findings regarding the adequacy of the notice and notice methodology pursuant to which notice will be provided to Class Members, (iii) the bar order described in Section A above, (iv) incorporation of the release described in Section A above in its entirety, (v) dismissal of the Action as to the Zurich Defendants with prejudice, (vi) a permanent injunction barring (a) Settlement Class Members (who have not opted out) from filing any lawsuits or other proceedings based upon Released Claims and (b) all persons or entities from organizing Settlement Class Members (who have not opted out) for the purposes of pursuing a class action based upon Released Claims, (vii) a provision pursuant to which, without affecting the finality of the approval order, the Court retains jurisdiction as to all matters relating to the administration, consummation, enforcement and interpretation of the Settlement Agreement and (viii) a request that the Settling Parties jointly prepare and submit findings of fact and conclusions of law to the Court.

f. Unless otherwise ordered by the Court, the Plan of Allocation, which shall be prepared by Co-Lead Counsel upon consultation with, and

with the cooperation of, the Governmental Entities that reach settlement with the Zurich Insurers (or any of them).

8. The Zurich Defendants on behalf of themselves and all other Releasees shall agree to act with reasonable diligence in fully and completely cooperating in response to Co-Lead Counsel's inquiries in connection with the continued prosecution of any claims in the Action subject to the terms of a confidentiality agreement pursuant to which Plaintiffs and their counsel shall agree to keep any information obtained from the Zurich Defendants confidential; *provided however*, that, subject to the appropriate protection of trade secrets and confidential commercial information, Co-Lead Counsel shall be able to use information obtained from the Zurich Defendants in any judicial proceedings involving nonsettling defendants in this Action and the related Employee Benefits Action; *provided further* that any former employee of a Zurich Defendant or a Zurich Insurer who has pled (or in the future pleads) guilty, or has been (or in the future is) indicted in connection with, a Governmental Proceeding shall not be a Releasee under the Settlement Agreement unless such individual agrees to comply with this Section 8; *provided further* that, if any Settlement Class Member obtains a judgment against any such unreleased former employee, such Settlement Class Member (i) will not seek to recover any portion of that judgment from any Releasee and (ii) will reduce its judgment against any such former employee by any amount that the former employee might recover from any Releasee, to ensure that such Releasee will not have to make any payments to or on behalf of that former employee; *provided however*, that the Zurich

Insurers shall oppose any effort by a noncooperating former employee to recover any such amount from a Releasee.

9. The Zurich Defendants and Plaintiffs each will have the discretion (but not the obligation) to terminate the Settlement Agreement if (i) the Court, or any appellate court, rejects, modifies or denies approval of any portion of the Settlement Agreement that the terminating party reasonably and in good faith determines is material or (ii) the Court, or any appellate court, does not enter or completely affirm, or alters or expands, any portion of the preliminary approval order, the order approving the settlement, the judgment, or any of the Court's findings of fact and conclusions of law as proposed by the Settling Parties that the terminating party believes in good faith is material. Notwithstanding such a termination provision, neither Plaintiffs nor Co-Lead Counsel shall be able to terminate the Settlement Agreement on the basis of the Attorneys' Fees and Expenses Award ordered, or as modified, by the Court or any appellate court.

10. The Zurich Defendants will have the discretion (but not the obligation) to terminate the Settlement Agreement if (i) the aggregate amount of premium that is attributable to Settlement Class Members who request exclusion from the Class for excess casualty policies that are covered by the Settlement Agreement is equal to or in excess of five percent (5%) of the aggregate amount of premium paid to Zurich Insurers by all Settlement Class Members for excess casualty policies that are covered by the Settlement Agreement, (ii) the Governmental Entities (or any one of them) fail to execute an agreement with the Zurich Insurers (or any one of them) resolving the Governmental

Entity Claims consistent with the terms of this MOU, (iii) the Governmental Entities (or any one of them) object to the terms of the Settlement Agreement, (iv) Zurich Financial Services' Board of Directors fails to approve the terms of the Settlement Agreement or (v) any state class action based upon the Class Action Allegations in which a class has been certified remains unresolved as of the date on which the Settlement Agreement becomes final and no longer subject to appeal.

11. The Zurich Defendants expressly deny the wrongdoing alleged in the Consolidated Complaint and do not concede any wrongdoing or liability in connection with any facts or claims that have been or could have been alleged.

12. Neither the Zurich Defendants' good faith negotiation nor execution of a Settlement Agreement shall constitute or be construed to be an admission by the Zurich Defendants, by the Zurich Insurers, by Zurich Financial Services or by any of them that any wrongdoing has taken place, that any federal or state laws or common law have been violated, or that any antitrust injury has occurred.

13. The Settling Parties shall coordinate any public announcement of the settlement in this Action.

14. Plaintiffs agree that, for a period of three years from the date on which the Settlement Agreement is executed or until the final pre-trial conference in the Action (whichever is sooner), unless present circumstances materially change such that Plaintiffs reasonably conclude that the prospect or amount of ultimate recovery from any remaining Insurer Defendant is substantially lessened or reduced, they will not enter into a settlement of the Action with any remaining Insurer Defendant of comparable



culpability that is more favorable to such Insurer Defendant insofar as it relates to the Settlement Amount without offering similar terms to the Zurich Defendants; *provided* that any dispute between the Settling Parties as to (i) whether any other Insurer Defendant with which Plaintiffs settle is of comparable culpability, (ii) whether a settlement with any other Insurer Defendant is more favorable to such Insurer Defendant as it relates to the Settlement Amount or (iii) whether any terms offered to the Zurich Defendants under this Section 14 are similar to those in a settlement with another Insurer Defendant shall be submitted to the Court for binding mediation.

15. The Settlement Agreement shall be governed by and interpreted according to the laws of the State of New York, excluding its conflict of laws provisions.

16. The Court in which the Action is pending shall retain subject matter jurisdiction to the extent necessary to implement, enforce and interpret the Settlement Agreement; *provided however*, that such subject matter jurisdiction over the Settlement Agreement shall not constitute a basis for nor give rise to personal jurisdiction over Zurich Financial Services.

#### **TERMINATION PROVISIONS**

B. This MOU shall terminate under the following circumstances:

1. This MOU shall terminate if the Settling Parties are unable successfully to negotiate a Settlement Agreement that includes, among other things, the principal terms described in Section A above.

2. Plaintiffs have the absolute discretion (but not the obligation) to terminate this MOU upon written notification to the Zurich Defendants if, upon

completion of confirmatory discovery, they and Co-Lead Counsel reasonably and in good faith do not believe that the terms of the settlement are fair, reasonable and adequate.

3. The Zurich Defendants have the discretion (but not the obligation) to terminate this MOU upon written notification to Plaintiffs if:

a. One or more of the Zurich Insurers is unable to reach an agreement with one or more Governmental Entities to resolve Governmental Entity Claims consistent with the terms of this MOU.

b. Any state class action based upon the Class Action Allegations in which a class has been certified is not resolved.

4. This MOU shall terminate without further action by anyone if a Settlement Agreement is not executed within six (6) months of the date on which this MOU is executed and the Settling Parties have not agreed to extend this period of time.

C. If this MOU is terminated, it shall be null and void and shall have no force or effect, and none of the Settling Parties shall be bound by any of its terms, except as follows:

1. The negotiations, statements and proceedings relating to this MOU shall be without prejudice to the rights of the Zurich Defendants, Plaintiffs or any Settlement Class Member, all of whom shall be restored to their respective positions existing immediately before the execution of this MOU.

2. Neither this MOU, nor the fact of its having been made, shall be admissible or entered into evidence for any purpose whatsoever.

3. Neither the Zurich Defendants' agreement to the terms set out in this MOU, their execution of this MOU nor their good faith negotiation of a Settlement Agreement shall constitute or be construed to be an admission by the Zurich Defendants, by the Zurich Insurers, by Zurich Financial Services or by any of them that any wrongdoing has taken place, that any federal or state laws or common law have been violated, or that any antitrust injury has occurred.

4. The confidentiality terms set out in Section E below shall remain in full force and effect.

#### **GENERAL MATTERS**

D. Promptly after this MOU is executed, the Settling Parties shall jointly move that the Action be stayed as to the Zurich Defendants, *provided however*, that should this MOU or the Settlement Agreement terminate for any reason, the Zurich Defendants shall not oppose an immediate lifting of the stay; *provided further* that if this MOU or the Settlement Agreement is terminated and the stay is lifted, the Zurich Defendants will engage in expedited discovery so that the Action is not delayed as a result of this MOU or the Settlement Agreement as to the Zurich Defendants or any other defendant.

E. Except as set out below, the Settling Parties agree to keep the fact that they have executed this MOU, the terms of this MOU, and any negotiations relating to the execution of this MOU and/or of the Settlement Agreement confidential.

1. The Settling Parties may disclose the fact that they have executed this MOU to the Court and to other parties in the Action and to each of the Governmental Entities.

2. The Zurich Defendants, the Zurich Insurers, Zurich Financial Services and their affiliates may disclose the fact that the Settling Parties have executed this MOU to, and may discuss the terms of this MOU with, their independent auditors and with each of the Governmental Entities.

3. Plaintiffs, Co-Lead Counsel, the Zurich Defendants, the Zurich Insurers, Zurich Financial Services and their affiliates may make any and all disclosures regarding the existence of this MOU and its terms that they believe may be required by any federal or foreign governmental, regulatory or prosecutorial entity, including in any public filings required by federal, state or foreign law.

F. Confirmatory discovery that is conducted in connection with the settlement will be conducted pursuant to a confidentiality stipulation pursuant to which, among other things, Plaintiffs and Co-Lead Counsel shall agree that all such discovery will be used solely for the purposes of assessing the fairness, reasonableness and adequacy of the settlement terms and that it will be kept confidential from all third parties; *provided* that, subject to obtaining agreement to the terms of the confidentiality stipulation by any such experts, Plaintiffs may share the confirmatory discovery contemplated by this Section F with experts retained by Plaintiffs to evaluate the terms of this MOU and any settlement. The confirmatory discovery described in this Section F

shall be in addition to the information to be provided by the Zurich Defendants pursuant to Section A.8.

G. This MOU shall be governed by and interpreted according to the laws of the State of New York, excluding its conflict of laws provisions. All matters relating to the enforcement and interpretation of this MOU shall be subject to the jurisdiction of the Court in which the Action is pending; *provided however*, that the Court's exercise of subject matter jurisdiction over the MOU shall not constitute a basis for nor give rise to personal jurisdiction over Zurich Financial Services.

H. Melvyn I. Weiss and Edith M. Kallas, on behalf of Milberg Weiss Bershad Schulman LLP, and Bryan L. Clobes, on behalf of Miller Faucher and Cafferty LLP, represent that they are authorized, consistent with the May 25 Order, to enter into this MOU on behalf of Plaintiffs and any other attorneys who have represented or now represent Plaintiffs or Settlement Class Members in the Action with respect to the claims in the Action and/or the Released Claims.

I. Ralph C. Ferrara represents that he is authorized to enter into this MOU on behalf of the Zurich Defendants and any other attorneys who have represented or now represent the Zurich Defendants in the Action.

J. This MOU may be signed in counterparts, each of which shall constitute a duplicate original. Execution by facsimile or by an electronically transmitted signature shall be fully and legally binding on a Settling Party.

K. This MOU shall be deemed to be executed on the date by which all of the Settling Parties have executed it.

Executed this 14th day of October, 2005.

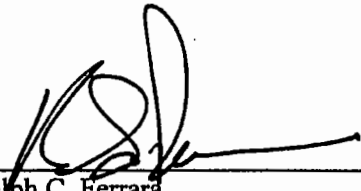
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Melvyn I. Weiss  
Edith M. Kallas  
Milberg Weiss Bershad & Schulman LLP  
One Pennsylvania Plaza  
49th Floor  
New York, New York 10119

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Bryan L. Clobes  
Miller Faucher and Cafferty LLP  
One Logan Square, Suite 1700  
18th and Cherry Streets  
Philadelphia, Pennsylvania 19103

*On Behalf of Plaintiffs*



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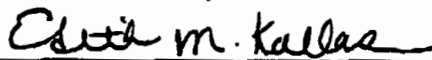
Ralph C. Ferrara  
LeBoeuf, Lamb, Greene & MacRae, LLP  
1875 Connecticut Avenue, N.W.  
Suite 1200  
Washington, D.C. 20009

*On Behalf of the Zurich Defendants*

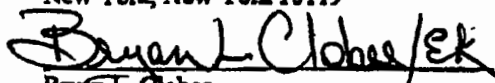
K. This MOU shall be deemed to be executed on the date by which all of the

Settling Parties have executed it.

Executed this 14th day of October, 2005.




Melvyn I. Weiss  
Edith M. Kallas  
Milberg Weiss Bershad & Schulman LLP  
One Pennsylvania Plaza  
49th Floor  
New York, New York 10119



Bryan L. Clibes  
Miller Faucher and Cafferty LLP  
One Logan Square, Suite 1700  
18th and Cherry Streets  
Philadelphia, Pennsylvania 19103

*On Behalf of Plaintiffs*

  
Ralph C. Ferrara  
LeBoeuf, Lamb, Greene & MacRae, LLP  
1875 Connecticut Avenue, N.W.  
Suite 1200  
Washington, D.C. 20009

*On Behalf of the Zurich Defendants*

**EXHIBIT A****GOVERNMENTAL PROCEEDINGS**

<b>STATE</b>	<b>AUTHORITY</b>
California	California Attorney General
Colorado	Colorado Attorney General
Delaware	Delaware Department of Insurance
Florida	Florida Attorney General Florida Department of Financial Services Florida Office of Insurance Regulation
Iowa	Iowa Insurance Division
Illinois	Illinois Department of Financial and Professional Regulation Division of Insurance
Maryland	Maryland Attorney General
Massachusetts	Massachusetts Attorney General
Minnesota	Minnesota Attorney General Minnesota Department of Commerce
Nebraska	Nebraska Department of Insurance
New York	New York Attorney General New York Department of Insurance
North Carolina	North Carolina Department of Insurance
Ohio	Ohio Attorney General Ohio Department of Insurance
Oklahoma	Oklahoma Commissioner of Insurance
Pennsylvania	Commonwealth of Pennsylvania Attorney General
Texas	Texas Attorney General
West Virginia	West Virginia Attorney General



**EXHIBIT B**

**ZURICH INSURERS INVOLVED IN GOVERNMENT PROCEEDINGS**

Zurich American Insurance Company (Zurich North America)

Zurich Insurance Group

Zurich American Insurance Company of Illinois

American Zurich Insurance Company

American Guarantee & Liability Insurance Company

Steadfast Insurance Co.

Fidelity & Deposit Company of Maryland

Maryland Casualty Company

Assurance Company of America

Colonial American Casualty & Surety Company

Zurich American Insurance Agency

Northern Insurance Company of New York

Empire Fire and Marine Insurance Company

Centre Insurance Co.

Farmers New World Life Insurance Company

Kemper Investors Life Insurance Company

## EXHIBIT C

Released Claims do not include any claims asserted in the following actions:

- 1) *Sandwich Chef of Texas, Inc. v. Reliance National Indemnity Insurance Co.*, Civil Action No. H-98-1484 (United States District Court for the Southern District of Texas).
- 2) *Foodarama Supermarkets, Inc., et al. v. Allianz Insurance Co., et al.*, Docket No. L-3556-97 (Superior Court of New Jersey, Law Division: Morris County)
- 3) *Bristol Hotel Asset Co., et al. v. The Aetna Casualty and Surety Co., et al.*, Civil Action No. 97-92-1 (Chancery Court for Davidson County, Tennessee)
- 4) *Foodarama Supermarkets, Inc., et al. v. Allianz Insurance Company Group, et al.*, No. 1138 (Court of Common Pleas, Philadelphia County Civil Division, Commonwealth of Pennsylvania)
- 5) *Bristol Hotel Management Corp., et al. v. The Aetna Casualty and Surety Company, et al.*, Cause No. 97-2240-CIV-MORENO (United States District Court for the Southern District of Florida)
- 6) *Bristol Hotel Management Corp., et al. v. The Aetna Casualty and Surety Company, et al.*, Cause No. CL-97-00727 (Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida)
- 7) *Melvin Simon & Associates, Inc., et al. v. Standard Fire Insurance Company, et al.*, No. 97-RCCV-28 (Georgia Superior Court, Richmond County)
- 8) *CR/PL Management Co., et al. v. Allianz Insurance Company Group, et al.*, No. 98 CH 01635 (Circuit Court of Cook County, Illinois)
- 9) *Hill-Behan Lumber Co. v. Hartford Insurance Company, et al.*, No. 982-00338 (Circuit Court of the City of St. Louis, Missouri)
- 10) *Dal-Tile Corporation, et al. v. National Council on Compensation Insurance, Inc., et al.*, Case No. 311263 (Superior Court of the State of California, County of Riverside)
- 11) *Alumax, Inc., et al. v. Allianz Insurance Company, et al.*, Civil Action No. CV 9803222 (Circuit Court of Jefferson County, Alabama)
- 12) *Payless Cashways, Inc., et al. v. National Surety Corp., et al.*, Civil Action No. 98 CI 2388 (Fayette Circuit Court, Commonwealth of Kentucky)
- 13) *American Association of Retired Persons, et al. v. National Surety Corp., et al.*, Case No. 98-820589 CZ (Circuit Court for the County of Wayne, Michigan)

14) *Burnham Services Corporation, et al. v. National Council on Compensation Insurance, Inc., et al.*, No. 98603231 (Supreme Court of the State of New York, County of New York)

15) *Albany International Corporation, et al. v. American Home Assurance Company, et al.*, Case No. CV 98-11695 (Arizona Superior Court, Maricopa County)

COURT OF \_\_\_\_\_

COMMONWEALTH/STATE OF

Plaintiff,

ZURICH AMERICAN INSURANCE  
COMPANY d/b/a ZURICH NORTH  
AMERICA,

Defendant.

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CIVIL ACTION NO.

**ORDER AND STIPULATED INJUNCTION**

The Office of the Attorney General of the Commonwealth/State of

\_\_\_\_\_ (“Attorney General”) filed an action on \_\_\_\_\_ against Zurich

American Insurance Company and certain of its insurance subsidiaries (collectively, as further described below, the “Zurich Insurers”) concerning its arrangements with various Brokers or Agents, including Marsh & McLennan Companies, Inc. and its affiliates or subsidiaries (collectively, “Marsh”). The Attorney General alleged that these arrangements, allegedly including bid-rigging and market allocations, violated various laws and resulted in the Zurich Insurers charging artificially inflated prices for the commercial insurance policies they sold to clients of Marsh and other brokers. The Zurich Insurers deny that their activities have violated the federal or state antitrust laws, applicable insurance laws or any other federal or state laws. The Zurich Insurers do not admit liability under the antitrust laws or applicable insurance laws by agreeing to this Order and Stipulated Injunction (“Order”). Nonetheless, to avoid the uncertainty and expense of protracted litigation, the Zurich Insurers agree to enter into this Order.

It is hereby **ORDERED**:

## **I. PARTIES**

1. Zurich American Insurance Company is a New York company with its principal place of business at 1400 American Lane, Schaumburg, IL 60196. Zurich American Insurance Company and its insurance subsidiaries, including but not limited to, Steadfast Insurance Company, Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company, American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company, and Assurance Company of America (collectively, the “Zurich Insurers”) are parties to this Order.
2. The Attorney General is the chief legal officer of the Commonwealth/State of \_\_\_\_\_ . The Attorney General is authorized to bring this action for violations of federal and state antitrust laws as well as state laws concerning fraud, misrepresentation or similar conduct.

## **II. JURISDICTION**

3. The Court finds that it has subject matter jurisdiction and may exercise personal jurisdiction over the Zurich Insurers; *provided however*, that the Court’s exercise of jurisdiction over the Zurich Insurers shall not constitute a basis for nor give rise to personal jurisdiction over Zurich Financial Services. The Court finds that the Attorney General’s complaint states a claim upon which relief may be granted.

## **III. DEFINITIONS**

4. As used in this Order:

- a) ***AG Settlement Agreement*** means: the settlement agreement executed between and among the Zurich Insurers and the attorneys general of the States of California, Florida, Hawaii, Maryland, Oregon, Texas and West Virginia, and the Commonwealths of Massachusetts, Pennsylvania and Virginia, the Chief Financial Office of the State of Florida and the Office of Insurance Regulation of the State of Florida pursuant to which the Zurich Insurers agreed to entry of this Order, which agreement is substantially in the form found in Exhibit B.
- b) ***Base Compensation*** means: a retail or wholesale commission paid by a Zurich Insurer to a *Broker or Agent* in connection with the placement of a *Commercial Insurance Policy* that is a percentage of the premium that will be paid by the *Insured* on the *Commercial Insurance Policy*.
- c) ***Broker or Agent*** means: an insurance producer as defined by [insert state statute reference] licensed to do business as such in any state within the United States, that, collectively with its affiliates and any of their respective employees, receives any *Compensation* from a Zurich Insurer in connection with the placement of insurance for an *Insured* or represents the *Insured* with respect to that placement; *provided however*, that the term *Broker or Agent* shall not include an insurance producer that has been appointed a *Captive Agent* by a Zurich Insurer and that discloses to the *Insured* or a representative of the *Insured* that the insurance producer or its affiliate or their employees will receive *Compensation* from a

Zurich Insurer in connection with that placement and/or for the provision of services to the *Insured* for the Zurich Insurer.

- d) ***Captive Agent means:*** a representative of a Zurich Insurer who is obliged to submit specified business only to a Zurich Insurer or to give a Zurich Insurer first-refusal rights on the placement of a *Commercial Insurance Policy*.
  
- e) ***Commencement Date means:*** for *Commercial Insurance Policies*, one hundred eighty (180) days from the execution date of the *AG Settlement Agreement*.
  
- f) ***Commercial Insurance Policy means:*** any contract, policy, agreement or binder of insurance sold to a commercial or business enterprise or a governmental entity; *provided however*, that *Commercial Insurance Policy* does not include insurance respecting a natural person's personal real property, personal automobile, life, disability or health coverage; *provided further* that *Commercial Insurance Policy* shall not include any contract, policy, agreement or binder of insurance that is or was effective on or before the *Commencement Date* unless such contract, policy, agreement or binder of insurance is renewed or extended for a period in excess of thirty (30) days after the *Commencement Date*.
  
- g) ***Compensation means:*** anything of material value received by a *Broker or Agent* directly from a Zurich Insurer, including, but not limited to, monetary payments,

*Base Compensation, Contingent Compensation, brokerage fee, service fee, incentive, rebate, money, credit, loan, forgiveness of debt, forgiveness of principal or interest, vacation, prize, gift or the payment of employee salaries or expenses; provided however, that the term Compensation shall not include any de minimis fee or amount collected by or paid to the Broker or Agent that does not exceed the total established by the department of insurance in this State/Commonwealth for such fees or amounts.*

- h) ***Contingent Compensation means:*** *Compensation paid by a Zurich Insurer to a Broker or Agent that is contingent upon the Broker or Agent:* a) placing a particular number of policies or dollar value of premium with the Zurich Insurers; b) achieving a particular level of growth in the number of policies placed or dollar value of premium with the Zurich Insurers; c) meeting a particular rate of retention or renewal of policies in force with the Zurich Insurers; d) placing or keeping sufficient insurance business with the Zurich Insurers to achieve a particular loss ratio or any other measure of profitability; or e) obtaining anything else of material value for a Zurich Insurer.
- i) ***Disclosure means:*** *a Disclosure Statement delivered prior to the time at which the Commercial Insurance Policy is bound.*



j) ***Disclosure Statement means:*** a written statement substantially in the form found in Exhibit A advising the *Insured* of the *Compensation* that may be paid to the *Broker or Agent* in connection with the placement of one or more *Commercial Insurance Policies*; *provided* that the Zurich Insurers shall notify and seek the approval of the Settling Attorneys General and the Settling Insurance Regulators prior to making any material change to Exhibit A. The *Disclosure Statement* shall include the following information:

- 1) If *Base Compensation* is paid in connection with the placement of the *Commercial Insurance Policy*: the maximum percentage of the premium that will be paid as *Base Compensation* for each *Commercial Insurance Policy* the *Broker or Agent* places with the Zurich Insurers;
- 2) If *Contingent Compensation* may be paid to the *Broker or Agent* in connection with the placement of the *Commercial Insurance Policy*:  
(i) the maximum percentage of *Contingent Compensation* that could be paid to the *Broker or Agent*, (ii) the average percentage of *Contingent Compensation* paid by the Zurich Insurers in the immediately preceding calendar year and (iii) the factors the Zurich Insurers will consider in determining the percentage of *Contingent Compensation* (if any) to pay to the *Broker or Agent*;

- 3) If any other *Compensation* may be paid to the *Broker or Agent* in connection with the placement of the *Commercial Insurance Policy*, how such *Compensation* will be determined;
- 4) A website address where a *Website Disclosure* will be available to the *Insured*; and
- 5) Other contact information, including a toll-free telephone number, that the *Insured* can use to obtain additional information regarding *Compensation* to the *Broker or Agent*.

k) ***Insured means:*** an individual or entity who purchased a *Commercial Insurance Policy* from a *Broker or Agent* (a) where the individual or entity was either domiciled in or resident in, or had any other significant contact with, the United States or (b) where the *Commercial Insurance Policy* was (i) entered into in the United States, (ii) subject to federal law or to the law of any of the states of the United States, or (iii) provided coverage for an insurable exposure in the United States.

l) ***Manner and Method means:***

- 1) when used with reference to *Base Compensation*, the range of *Base Compensation* the Zurich Insurers paid in the immediately preceding calendar year respecting the specific types of *Commercial Insurance Policies* to which the *Disclosure* applies, the average amount of

*Base Compensation* paid for each such *Commercial Insurance Policy* in the immediately preceding calendar year and the factors considered in determining the *Base Compensation* that will be paid for each such *Commercial Insurance Policy*;

- 2) when used with reference to *Contingent Compensation*, the range of *Contingent Commission* that may be paid pursuant to the *Contingent Compensation* agreement (if any) between the *Broker or Agent* and the Zurich Insurer, the average amount of *Contingent Compensation* paid pursuant to such agreement in the immediately preceding calendar year and the factors considered in determining the range of *Contingent Compensation* under such agreement (including whether the amount of *Contingent Compensation* is calculated with reference to (i) placing a particular number of policies or dollar value of premium with a Zurich Insurer, (ii) achieving a particular level of growth in the number of policies placed or dollar value of premium with a Zurich Insurer, (iii) meeting a particular rate of retention or renewal of policies in force with a Zurich Insurer, (iv) placing or keeping sufficient insurance business with a Zurich Insurer to achieve a particular loss ratio or any other measure of profitability, or (v) obtaining anything else of material value for a Zurich Insurer).

- m) ***Settling Insurance Regulators means:*** Those state insurance regulators that have entered into a settlement agreement with the Zurich Insurers that contains substantially similar settlement terms as are set out in the AG Settlement Agreement.
  
- n) ***Term means:*** The ten-year (10-year) time period during which the Court shall retain jurisdiction over enforcement of this Order, which time period shall begin on the date this Order is entered.
  
- o) ***Website Disclosure means:*** publication on a Zurich Insurer's website of the *Manner and Method of Compensation* that may be paid for each kind of *Commercial Insurance Policy* offered by the Zurich Insurer.
  
- p) ***Zurich Financial Services means:*** the corporate entity that is incorporated and headquartered in Switzerland, which entity is the ultimate parent of the Zurich Insurers.

#### **IV. TERMS**

##### **A. Compliance Program**

5. The Zurich Insurers shall implement a compliance program meeting the requirements of this Paragraph IV.A; *provided* that to the extent that the Zurich Insurers seek within the Term to modify any term of the legal compliance program that is set out below in

any material respect, they shall provide the Attorney General with notice of their intention to make such modification no less than sixty (60) business days prior to implementing it.

6. Within thirty (30) business days following entry of this Order, the Zurich Insurers shall:
  - a) Create, to the extent not already created, a United States Compliance Office (the “Compliance Office”) with responsibility for all compliance and regulatory control matters relating to this Order and which embraces the following principles:
    - 1) A Chief Compliance Officer of North America (the “Compliance Officer”), who, with respect to the Zurich Insurers, currently has direct reporting responsibility to the Zurich Financial Services Group Compliance Officer and to the Chief Executive Officer of Zurich North America Commercial; *provided however*, that the Compliance Officer shall not be retained, compensated, disciplined or dismissed by any person other than the Zurich Financial Services Group Compliance Officer with the concurrence of the Chief Executive Officer of any company with respect to which the Compliance Officer has compliance responsibility, who together shall also be solely responsible for approving a budget and resources for the Compliance Office.
    - 2) The Compliance Office shall be funded and staffed in sufficient amounts to provide reasonable assurances that the Zurich Insurers

will not engage in the acts, practices or courses of conduct that are the subject of this litigation.

- 3) The development or strengthening of a training program (including written or online training materials, resources and advisories) for all executive officers and employees that emphasizes the culture of compliance and a supervision and control environment designed to:  
(i) foster compliance with applicable laws and regulations; (ii) assist with the detection and prevention of criminal and inappropriate conduct; and, (iii) otherwise meet the requirements of the United States Sentencing Guidelines for compliance programs.
- 4) The enhancement or creation of a program pursuant to which the Compliance Officer reports findings and recommendations to the Chief Executive Officer of Zurich North America Commercial, with further reporting of material findings or recommendation that are not timely addressed to the Zurich Financial Services Group Compliance Officer or Group General Counsel, and through these individuals, to the Board of Directors of Zurich Financial Services as necessary.
- 5) The enhancement or implementation and publication of a electronic/telephonic facility for recordation and archiving of reports (including those provided anonymously) by Zurich Insurer officials and employees of complaints respecting violations of laws,

regulations, fiduciary duties, and/or the Zurich Insurers' policies, practices and procedures by any official or employee of a Zurich Insurer.

- 6) Consultation by the Compliance Officer with experienced compliance counsel to provide advice and assistance to the Compliance Officer in connection with the investigation, evaluation and prosecution of violations of laws, regulations and prescribed policies, practices and procedures applicable to the Zurich Insurers' operations.
- 7) The enhancement or development of a published disciplinary program to ensure that instances of misconduct are recorded and disposed of according to a graduated scale of sanctions, including reprimand, reduction or suspension of bonus, reduction in base compensation, suspension or degradation of title and/or supervisory responsibility, and dismissal (with or without severance benefits).
- 8) Such special policies, practices, training and procedures as the Compliance Officer reasonably deems necessary and appropriate to provide effective supervision and oversight to the business conducted by the Zurich Insurers' excess casualty operations.
- 9) The enhancement or development of a records retention policy designed to ensure that electronic and hard copy documentation respecting quotations for Commercial Insurance Policies provided to

prospective insureds, but not bound, are maintained until such time as, from time to time, an internal audit of such quotations is undertaken and completed.

7. The Compliance Office, with the assistance of experienced compliance counsel, shall, on a continuing basis, be responsible for the following:
  - a) Furnishing a copy of this Order within thirty (30) business days of entry of same to each of the Zurich Insurers' officers and directors, and to each of the Zurich Insurers' employees (and their supervisors) who has authority to underwrite, quote, bid, write or contract Commercial Insurance Policies; *provided* that the Compliance Officer need not provide a copy of the Order to employees whose functions are purely clerical or manual and do not include quoting, writing or selling Commercial Insurance Policies;
  - b) Furnishing within thirty (30) business days a copy of this Order to any person who succeeds to a position described in Paragraph IV.A.7.a;
  - c) Arranging for an annual briefing to each person described in Paragraph IV.A.7.a on the meaning and requirements of this Order and all laws covered by it;
  - d) Obtaining from each of the Zurich Insurers' officers and directors certification that he or she: (i) has read and, to the best of his or her ability, understands and agrees to abide by the terms of this Order; (ii) does not have specific knowledge of any violation of the Order that has not been reported to the Compliance Officer; and (iii) understands that any person's knowing failure to comply with this Order may



result in an enforcement action for contempt of court against such person for violation of this Order;

- e) Maintaining: (i) a record of certifications received pursuant to Paragraph IV.A.7.d; (ii) a file of all documents related to any alleged violation of this Order and laws covered by this Order; and (iii) a record of all communications related to any such violation, which shall identify the date and place of the communication, the person(s) involved, the subject matter of the communication, and the results of any related investigation; and
- f) Reviewing the final draft of each speech made by any officer or director addressing the provision of bids respecting Commercial Insurance Policies in order to ensure its adherence with this Order.

8. The Compliance Program shall address at least the following topics:

- a) federal antitrust laws;
- b) state antitrust laws;
- c) state unfair insurance practice laws;
- d) state insurance laws and regulations;
- e) the fiduciary obligation of Brokers or Agents to clients; and
- f) the overall obligation of the Zurich Insurers' employees not to engage in conduct that is fraudulent or deceptive, or to aid others who are engaging or attempting to engage in fraudulent or deceptive conduct.

9. Within sixty (60) business days of entry of this Order, the Zurich Insurers shall present to the Attorney General a written report that it has implemented or is in the process of

implementing a compliance program consistent with the terms set out in this Order for their review.

10. If the Compliance Officer learns of any violation of any of the terms and conditions contained in this Order, he or she shall take steps to ensure that the Zurich Insurers immediately take appropriate action to terminate or modify the activity so as to comply with this Order and the Zurich Insurers shall report any such violations and any related corrective action to the Attorney General no later than twenty (20) business days after determining that a violation in fact occurred.
11. If the Zurich Insurers believe the duties of specific employees are significantly specialized, they may offer specialized compliance programs for those employees.
12. The Attorney General may, at its expense and upon reasonable notice, attend and witness the presentation of any compliance presentations required by this Order.
13. The Attorney General may retain, at the Zurich Insurers' expense, an expert in the insurance industry to assist it in reviewing any aspect of the legal compliance program that the Zurich Insurers adopt pursuant to the terms of this Order.

**B. Collusion and Market Manipulation Prohibited**

14. The Zurich Insurers shall not directly or indirectly knowingly provide or offer any Broker or Agent placing, renewing, consulting on or servicing any Commercial Insurance Policy a false, fictitious, inflated, artificial, "B," alternative, back-up or throw away bid, quote or indication, or any other quote or indication that is not based upon bona fide business, actuarial or underwriting considerations when the quote or indication is given.

15. The Zurich Insurers shall not enter into, engage in, or solicit or otherwise seek to enter any agreement, not permitted by applicable law, with any Broker or Agent, or with any insurance company, reinsurance company, insurance exchange, or any person employed by, or an agent of, any such entity to allocate customers or markets, to rig bids or quotes, or to submit bids or quotes that would violate Paragraph IV.B.14.
16. The Zurich Insurers shall not directly or indirectly pay or accept a request to pay any Compensation to a Broker or Agent as a quid pro quo for the Broker's or Agent's inclusion of the Zurich Insurers on a list of insurance companies from which the Broker or Agent will solicit bids or quotes for clients, nor enter into any other type of "pay-to-play" arrangement.
17. The Zurich Insurers shall not engage in any agreement not permitted by applicable law, to fix or stabilize prices, rig bids, allocate customers or engage in any other conduct that constitutes a violation of the federal antitrust laws, state antitrust laws, unfair insurance practices laws or any other insurance laws or regulations.

**C. Disclosure of Compensation**

18. As of the Commencement Date, each of the Zurich Insurers shall require, in connection with the placement or renewal of a Commercial Insurance Policy issued by a Zurich Insurer, that each Broker or Agent has undertaken to provide each Insured with Disclosure.
19. The disclosure provision set out in Paragraph IV.C.18 of this Order may be modified under the following circumstances:

- a) With the prior approval of the Department of Insurance and the Attorneys General.
- b) ***Consistency of terms and conditions:*** To the extent that the Attorney General requires that one or more of the insurers identified as “Insurer Defendants” in the Second Consolidated Amended Commercial Class Action Complaint filed on or about February 1, 2006 in the action styled *In re Insurance Brokerage Antitrust Litigation*, MDL No. 1663, Civil No. 04-5184 (FSH) (D.N.J.), that has engaged in substantially similar conduct provide disclosure in this Commonwealth/State respecting Compensation that is different from that required of the Zurich Insurers, the Zurich Insurers may, upon notification to the Attorney General, modify the disclosure that they are required to provide in this Commonwealth/State pursuant to the terms of this Order to be consistent with the disclosure required of such Insurer Defendant(s).
- c) ***Market Disruption:*** To the extent that the Zurich Insurers believe that they (or any of them) have suffered a market reduction in any reporting unit as a result of complying with the disclosure provision of this Regulatory Settlement Agreement, then the Zurich Insurers may petition the Settling Insurance Regulators for a modification of such provision by making such assertion to the Chair of the Broker Activities Task Force of the National Association of Insurance Commissioners (the “NAIC Task Force”) (or, if such NAIC Task Force has been dissolved or declines to act, the Illinois Department of Insurance (the “Illinois DOI”)), who will initiate an expedited process to review the Zurich Insurers’ assertion and, after providing the Attorney General of the Commonwealth of Pennsylvania with notice and an

opportunity to comment, shall issue findings of fact and a recommendation respecting the requested modification request; *provided* that if the Chair of the NAIC Task Force (or, as the case may be, the Illinois DOI) finds that the Zurich Insurers have suffered such a reduction and recommends a modification of the disclosure provision, the Attorney General shall review such findings and recommendation on an expedited basis, giving them considerable weight, and shall take whatever steps may be necessary to modify the disclosure provision of this Order consistent with the recommended modification or such other modification as may be consistent with the purposes of this paragraph to address any market disruption, unless the Attorney General disagrees with the findings and/or recommendation, or concludes that they are not applicable in this State/Commonwealth, in which case the basis and reasons for rejecting the findings and/or recommendation shall be set forth in writing; *provided* that the Zurich Insurers shall retain all rights under applicable law to obtain review of such decision by the Attorney General.

#### **V. Cooperation and Compliance**

20. **Annual Report** – Within 120 days of the closing of each calendar year that falls within the Term, the Zurich Insurers shall submit to the Attorney General a report demonstrating their compliance with all of the provisions of this Order; *provided* that the Attorney General shall, consistent with state law, keep confidential any information contained in the Annual Report that is marked confidential by the Zurich Insurers.

21. **Binding on Successors and Assigns** – The terms of this Order are binding on the Zurich Insurers, their directors, officers, managers, employees, successors and assigns, including, but not limited to, any person or entity to whom the Zurich Insurers or any of them may be sold, leased or otherwise transferred, during the Term.
22. The Zurich Insurers shall continue to fully and promptly cooperate with the Attorney General with regard to any regulatory investigation or related proceeding or action regarding any person, corporation or entity, including but not limited to, former employees of a Zurich Insurer; *provided* that each person who receives documents or information pursuant to this paragraph shall, consistent with state law, (i) keep the documents or information confidential and (ii) if consistent with state law, return any documents or information received from the Zurich Insurers by no later than ten (10) days following the date on which any regulatory investigation or related proceeding or action is concluded. Cooperation shall include, without limitation:
- a) the voluntary production (without service of subpoena) of (i) any and all non-privileged information and documents or other tangible evidence reasonably available and requested by the Attorney General in connection with an investigation based upon the acts, practices or courses of conduct that are the subject of this Order; and, (ii) any compilation or summaries of information or data that the Attorney General reasonably request be prepared;
  - b) the use of reasonable best efforts on the part of the Zurich Insurers to ensure that current and former officers, directors, employees and agents of a Zurich Insurer fully and promptly cooperate with the Attorney General in connection with any

investigation based upon the acts, practices or courses of conduct that are the subject of this Order or related proceeding, including attendance (without service of a subpoena) at any proceeding as requested by the Attorney General; and

- c) The Zurich Insurers shall not object to the production of non-privileged documents or witnesses on the ground that the documents or witnesses requested relate to matters outside this State/Commonwealth; and
- d) With respect to any document withheld or redacted on the grounds of privilege, work product or other legal doctrine, submission of a written log by the Zurich Insurers indicating: (i) the type of document; (ii) the date of the document; (iii) the author and each recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document.
- e) The actual or potential applicability of the McCarran-Ferguson Act to the conduct covered by the documents or witnesses requested pursuant to this paragraph shall not be a basis for withholding information in response to such a request.
- f) To determine or secure compliance with this Order, and without limiting otherwise applicable law, any duly authorized representative of the Attorney General shall be permitted, upon reasonable notice and during normal business hours:
  - i) Access to all non-privileged book, ledgers, accounts, correspondence, memoranda, other records and documents in the possession or under the control of a Zurich Insurer, as applicable, relating to any matters contained in this Order; and,

- ii) To interview officers, managers or employees of the Zurich Insurers, as applicable, regarding any matters contained in this Order.

- 23. **Enforcement** – If the Attorney General believes that there has been a violation of this Order, the Zurich Insurers shall be promptly notified in writing thereof. The Attorney General shall thereafter permit the Zurich Insurers a reasonable opportunity to cure any alleged violation without instituting legal action. If the alleged violation is not substantially cured by the Zurich Insurers within sixty (60) days of the notification, the Attorney General may thereafter seek to undertake any remedial action deemed appropriate. This time period may be extended in circumstances where the sixty-day (60-day) period does not allow sufficient time to cure the alleged violation.
- 24. If the Attorney General prevails in any action or proceeding to enforce this Order, or in any action or proceeding otherwise arising out of or relating hereto, the Court shall award costs and expenses, including a reasonable sum for attorneys' fees.
- 25. **Legal Exposure** – This Order is not intended to give any legal rights or remedies of any nature to any third party.
- 26. **Notices** – All notices required by this Order shall be sent by certified or registered mail, return receipt requested, postage prepaid or by hand delivery to:

**If to the Attorney General:**



**If to the Zurich Insurers**

Ralph C. Ferrara, Esq.  
Stephen A. Best, Esq.  
Ann M. Ashton, Esq.  
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27. This Order shall be governed by and interpreted according to the laws of this state, excluding its conflict of laws provisions.
28. Nothing in this Order shall prevent or otherwise restrict the department of insurance of this State/Commonwealth from pursuing regulatory action against a Zurich Insurer for regulatory issues that are unrelated to the matters released pursuant to the settlement agreement executed between the Attorney General and the Zurich Insurers.
29. Nothing in this Order or any of its terms and conditions shall be interpreted to alter in any way the contractual terms of any insurance policy sold, assumed or acquired by a Zurich Insurer.

30. Nothing in this Order releases a Broker or Agent from its obligations to make disclosures required by law or contract to Insureds.
31. **Modification** – Subject to Paragraph IV.C.19.b above, if the Attorney General or the Zurich Insurers believe that modification of this Order would be in the public interest, that party shall give notice to the other and the parties shall attempt to agree on a modification. If the parties agree on a modification, they shall jointly petition the Court to modify the Order, and such modification shall be granted unless the Court determines that the modification is contrary to the public interest.
32. **Retention of Jurisdiction** – Subject to Paragraph IV.C.19.b above, the Court retains jurisdiction during the Term to enable any party to apply to this Court for such further orders and directions as may be necessary and appropriate for the interpretation, modification, and enforcement of this Order. The Zurich Insurers will not later challenge the Court’s jurisdiction to enforce this Order.
33. If the AG Settlement Agreement is terminated for any reason, then this Order shall be vacated and shall be deemed to be null and void, and have no force or effect on any of the Parties.
34. **No Admission of Liability** – The Zurich Insurers, desiring to resolve the Attorney General’s concerns without trial or adjudication of any issue of fact or law, have consented to entry of this Order, which is not an admission of liability by the Zurich Insurers as to any issue of fact or law. Neither this Order nor the Zurich Insurers’ agreement to its entry may be offered or received into evidence in any action as an admission of liability, whether arising before or after the entry of the Order.

\_\_\_\_\_  
Date

\_\_\_\_\_  
J.