

IN THE MATTER OF
MARSH & McLENNAN
COMPANIES, INC. and
MARSH, INC.

REGULATORY SETTLEMENT AGREEMENT

THIS REGULATORY SETTLEMENT AGREEMENT (the "Regulatory Settlement Agreement") is entered into September 21, 2005 (the "Effective Date"), by and between Marsh & McLennan Companies, Inc., Marsh, Inc. and their subsidiaries and affiliates (sometimes collectively referred to herein as "Marsh" or the "Companies"), and the chief insurance regulators of each state, or their authorized representatives, who adopt, approve and agree to this Regulatory Settlement Agreement by virtue of the provisions of Article II hereof (the "Signatory Insurance Regulator" or collectively "Signatory Insurance Regulators").

ARTICLE I
RECITALS

WHEREAS, the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York have alleged that Marsh unlawfully deceived its clients by (i) steering clients' insurance business to favored insurance companies, and (ii) soliciting fictitious bids in order to assure that insurance policies were placed to benefit favored insurers; and

WHEREAS, the Companies have agreed to a settlement affecting a nationwide class of policyholders by virtue of the execution of an Agreement Between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh (the "New York Agreement") dated January 30, 2005, (copy attached); and

WHEREAS, certain Signatory Insurance Regulators have conducted investigations regarding the Companies' practices in connection with contingent commission agreements in their respective states; and

WHEREAS, the Companies are cooperating with the investigations of the Signatory Insurance Regulators; and

WHEREAS, the Signatory Insurance Regulators allege that, by engaging in the conduct alleged by the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, Marsh used misleading, deceptive, fraudulent, coercive, dishonest practices, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in their respective states; and

WHEREAS, the Companies neither admit nor deny any of the allegations noted above; and

WHEREAS, finding the New York Agreement to adequately address the principal collective concerns of the Signatory Insurance Regulators and by virtue of the terms and conditions set forth in this Regulatory Settlement Agreement, the Signatory Insurance Regulators and the Companies desire to resolve all regulatory issues arising from the subject matter described in the New York Agreement as the facts related to that subject matter are currently known to each Signatory Insurance Regulator (hereinafter referred to as the “Known Regulatory Issues”¹), except as specifically referenced in any applicable consent, cease and desist or other order issued by a Signatory Insurance Regulator on the terms and conditions set forth herein.

ARTICLE II **REGULATORY SETTLEMENT AGREEMENT TERMS**

A. ACCEPTANCE

1. By their signatures and delivery of this Regulatory Settlement Agreement, as described below, and by virtue of the execution of this Regulatory Settlement Agreement by the Signatory Insurance Regulators, the Signatory Insurance Regulators each acknowledge and agree that: (i) they have read and understand the terms and conditions of the New York Agreement; (ii) the New York Department of Insurance has participated in the settlement negotiations with attorneys representing the Companies; and (iii) the New York Department of Insurance has been actively involved in the evaluation and discussion of each form of relief which is included within the New York Agreement. By the signature and delivery of this Regulatory Settlement Agreement, each Signatory Insurance Regulator further acknowledges the general sufficiency and fairness of this Regulatory Settlement Agreement and of the New York Agreement, and agrees that the execution of this document fairly, reasonably and adequately addresses the collective insurance regulatory concerns of the Signatory Insurance Regulators.

B. ADMINISTRATIVE AGREEMENTS

The Companies agree to do the following:

1. MONETARY RELIEF

- a. As provided by the New York Agreement, Marsh shall pay Eight Hundred Fifty Million Dollars (\$850,000,000) into a Fund (the “Fund”) over the next four years in four annual payments to be paid to Marsh’s policyholder clients who retained Marsh to place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides. All of the money

¹ The term specifically excludes any knowledge of the facts or merits of a claim or potential claim that any particular policyholder may have against Marsh.

NAIC Press Release Version

paid into the Fund and any interest earned thereon shall be paid to such policyholder clients pursuant to the New York Agreement. No portion of the Fund shall be considered a fine or a penalty. This sum is in full satisfaction of Marsh's obligations hereunder, and no Signatory Insurance Regulator shall seek to impose on Marsh any other financial obligation or liability with respect to the Known Regulatory Issues, except as related to matters specifically referenced in any applicable consent, cease and desist or other order issued by a Signatory Insurance Regulator.

- b. Marsh shall, as provided by the New York Agreement:
 - i. By April 30, 2005 calculate, in accordance with a formula approved by the New York Attorney General, the amount of money each of the U.S. policyholder clients who retained Marsh to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 through December 31, 2004 (the "Relevant Period") is eligible to receive; and
 - ii. By May 20, 2005, send a notice to each client eligible to be paid from the Fund, setting forth the following items (i) through (v), (i) each client's name and address; (ii) the client's insurer(s), product line(s) and policy(ies) purchased and policy number(s); (iii) the amount the client paid in premiums or consulting fees for each such policy; (iv) for each such policy, the amount of contingent commission or override revenue recorded by Marsh during the Relevant Period attributable to that policy, in accordance with a calculation approved in accordance with the New York Agreement; (v) the amount of contingent commission override revenue each client is eligible to receive for each such policy and in the aggregate for all such policies pursuant to this Agreement; and stating that the amount paid may increase if there is less than full participation by eligible clients in the Fund. For the purposes of this paragraph, "U.S. policyholder clients" means U.S.-domiciled policyholder clients and policyholder clients who retained Marsh's U.S. offices to place, renew, consult on or service insurance.
- c. Clients eligible to receive a distribution from the Fund shall have until September 20, 2005 to request a distribution. Eligible clients who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached to the New York Agreement as Exhibit 2. In the event that any eligible client elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Marsh to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until

NAIC Press Release Version

all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to Paragraph B1b above; nor shall the total payments from the Fund to any Non-Participating Policyholder exceed 80% of that Non-Participating Policyholder's original allocated share. If any funds remain in the Fund as of June 20, 2008, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

- d. In no event shall any of the funds in the Fund be used to pay attorney fees.
- e. Marsh shall pay \$255,000,000 into the Fund on or before June 1, 2005. Marsh shall pay \$255,000,000 into the Fund on or before June 1, 2006. Marsh shall pay \$170,000,000 into the Fund on or before June 1, 2007. Marsh shall pay \$170,000,000 into the Fund on or before June 1, 2008.
- f. On November 1, 2005, June 30, 2006, June 30, 2007, and June 30, 2008, Marsh shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved in accordance with the New York Agreement. Within forty-five (45) days of each payment from the fund, Marsh shall file a report with each Signatory Insurance Regulator, certified by an officer of Marsh, listing all amounts paid from the Fund to residents of the state represented by the Signatory Insurance Regulator.

2. BUSINESS REFORMS

- a. As provided on pages five through nine of the New York Agreement, Marsh shall undertake a number of business reforms related to the Known Regulatory Issues ("Business Reforms").
- b. The Business Reforms are hereby incorporated as if set forth fully herein and, except where prohibited by law, Marsh agrees to implement the same in accordance with the applicable laws, regulations and judicial rulings of each state represented by a Signatory Insurance Regulator.
- c. Marsh shall file a certification with each Signatory Insurance Regulator, no later than September 30, 2005, executed by an officer of Marsh, confirming the Business Reforms have been implemented by Marsh in each state represented by a Signatory Insurance Regulator as may be applicable pursuant to Paragraph B2b above (the immediately preceding paragraph).
- d. Each Signatory Insurance Regulator shall have the ability to enforce the Business Reforms pursuant to the applicable state laws, regulations and judicial rulings of his/her individual state.

3. CEASE AND DESIST

Marsh shall immediately cease and desist from all activities described herein which constitute misleading, deceptive, fraudulent, coercive, or dishonest practices; from demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business; and from otherwise engaging in conduct which violates applicable statutes and/or regulations.

4. MONITORING, COMPLIANCE AND REPORTING

- a. As provided in the New York Agreement, Marsh shall establish a Compliance Committee of the Board of Directors of Marsh and McLennan Companies, Inc. which shall monitor Marsh's compliance with the standards of conduct regarding compensation from insurers and shall report on a quarterly basis to the Board of Directors the results of its monitoring activities for a period of five (5) years from January 30, 2005, the date of the New York Agreement.
- b. As provided in the New York Agreement, Marsh shall maintain a record of all complaints received concerning any compensation from an insurer, which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee's quarterly report. Such record shall further be promptly provided to any Signatory Insurance Regulator who so requests.
- c. As provided in the New York Agreement, the Board of Directors of Marsh & McLennan Companies, Inc. shall prepare annual reports on compliance with the standards of conduct regarding compensation arrangements for five (5) years commencing in December 2005, which shall also include the amount of each form of compensation received by Marsh from each insurer with which it placed insurance during the preceding year. Such reports shall further be promptly provided to any Signatory Insurance Regulator who so requests.

ARTICLE III
OTHER PROVISIONS

1. A Signatory Insurance Regulator may take regulatory action to enforce this Agreement. A Signatory Insurance Regulator may investigate or take regulatory action against any current or former Marsh employee who is licensed by that Signatory Insurance Regulator, may assist insurers, Participating Policyholders, Non-Participating Policyholders, licensed producers and consumers with respect to the matters addressed in this Regulatory Settlement Agreement, and may take regulatory action with respect to specific transactions affecting residents of their respective states as specifically referenced in any applicable consent, cease and desist or other order issued by a Signatory Insurance Regulator.
2. Nothing herein shall prevent or otherwise restrict a Signatory Insurance Regulator

NAIC Press Release Version

from pursuing regulatory action against the Companies for regulatory issues other than Known Regulatory Issues.

3. Nothing herein shall confer any rights upon any persons or entities other than the Signatory Insurance Regulators and Marsh.
4. Marsh shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Agreement.
5. This Regulatory Settlement Agreement shall be binding on the Companies and on the Signatory Insurance Regulators executing this Regulatory Settlement Agreement. Any chief insurance regulator that wishes to become a party to this Regulatory Settlement Agreement shall execute a signature page within 60 days from the Effective Date.
6. Each Signatory Insurance Regulator, on behalf of his/her respective state, hereby gives express assurance that under the applicable laws, regulations and judicial rulings, the Signatory Insurance Regulator has the authority to enter into this Regulatory Settlement Agreement and bind that party now and in the future. By execution of this Regulatory Settlement Agreement with the Companies, each Signatory Insurance Regulator acknowledges that he/she has reviewed and agrees with the terms and conditions as set forth herein.
7. This Regulatory Settlement Agreement was negotiated in an effort to address Known Regulatory Issues. With respect to matters addressed by this Regulatory Settlement Agreement, but subject to Paragraphs 1 and 16 of this Article III and except as otherwise provided herein, the Signatory Insurance Regulators executing this Regulatory Settlement Agreement release and forever discharge the Companies from all civil or administrative actions, claims, damages, fines, sanctions, losses, or other liability that insurance departments could pursue or seek based upon the Known Regulatory Issues, except as specifically referenced in any applicable consent, cease and desist or other order issued by a Signatory Insurance Regulator. However, this Regulatory Settlement Agreement and the release language set forth in this paragraph shall in no way be interpreted or construed as releasing, prohibiting or otherwise limiting in any way, any cause of action that may be pursued by Attorneys General or other governmental authorities from the same states as the Signatory Insurance Regulators.
8. In the event that any portion of this Regulatory Settlement Agreement is held invalid under any particular state's law as it is relevant to a Signatory Insurance Regulator, such invalid portion shall be deemed to be severed only in that state and all remaining provisions of this Regulatory Settlement Agreement shall be given full force and effect and shall not in any way be affected thereby.

NAIC Press Release Version

9. The Signatory Insurance Regulators and the Companies may mutually agree to any reasonable extensions of time that might become necessary to carry out the provisions of this Regulatory Settlement Agreement.
10. This Regulatory Settlement Agreement and/or any applicable consent, cease and desist or other order issued by a Signatory Insurance Regulator set forth the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements, arrangements or understandings (whether in written or oral form) between the Companies and the Signatory Insurance Regulators. This Regulatory Settlement Agreement may not be altered or modified without the express written approval of the Companies and the respective Signatory Insurance Regulator.
11. In no event shall the terms of this Regulatory Settlement Agreement or its existence or any provision or any negotiations relating to its provisions in any way be construed as, offered as, received as, used or deemed to be evidence of any kind: (i) in any civil, criminal, judicial, administrative, regulatory or other proceeding, except any proceeding to enforce this Regulatory Settlement Agreement brought by any Signatory Insurance Regulator or to demonstrate the extent of this Agreement; or (ii) of a judgment by any Signatory Insurance Regulator as to the facts, evidence, merits, or value of any claim or claims that any specific policyholder(s) may have against Marsh or any other entity. Policyholders instead are encouraged to fully and carefully examine and consider such claims prior to executing the release required to become a Participating Policyholder under the terms of this Regulatory Settlement Agreement and the New York Agreement.
12. 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 or assumed or acquired either by the Companies or by the parties to such insurance contract.
13. This Regulatory Settlement Agreement may be signed in multiple counterparts, each of which shall constitute a duplicate original, but which taken together shall constitute but one and the same instrument.
14. In agreeing to the terms of the Regulatory Settlement Agreement, each of the Companies waives its rights to an administrative hearing appeal under the applicable laws of the states represented by the Signatory Insurance Regulators.
15. It is agreed that time is of the essence in this Regulatory Settlement Agreement.
16. Marsh agrees to fully cooperate with each Signatory Insurance Regulator respecting Marsh's obligations under this Regulatory Settlement Agreement and to fully cooperate with continuing investigations, if any, by a Signatory Insurance Regulator.

NAIC Press Release Version

17. This Regulatory Settlement Agreement is not intended and shall not be used to disqualify Marsh, or any current employees of Marsh, from engaging in business in any state represented by the State Insurance Regulators.
18. If compliance with any aspect of this Regulatory Settlement Agreement proves impracticable, Marsh reserves the right to request that the parties modify the Regulatory Settlement Agreement accordingly.

Agreed to this ____ day of _____, 2005

[NAME]

[INSURANCE COMMISSIONER]
[DEPARTMENT OF INSURANCE]

MICHAEL G. CHERKASKY

PRESIDENT AND CHIEF EXECUTIVE OFFICER
MARSH & MCLENNAN COMPANIES, INC.