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IN THE CIRCUIT COURT OF THE STATE OF OREGON
FOR THE COUNTY OF MARION

STATE OF OREGON, ex rel HARDY MYERS, ATTORNEY GENERAL,

Plaintiff,

v.

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 ,

Defendants.

Case No. *06C20269*
STIPULATED GENERAL JUDGMENT

STIPULATED GENERAL JUDGMENT

THIS CAUSE came on before the undersigned Circuit Court Judge for entry of an Stipulated General Judgment between Plaintiff, State of Oregon, by and through its Attorney General (“Plaintiff”), and Defendants 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

1 various laws and resulted in the Zurich Insurers charging artificially inflated prices for the
2 commercial insurance policies they sold to clients of Marsh and other brokers. The Zurich
3 Insurers deny that their activities have violated the federal or state antitrust laws, applicable
4 insurance laws or any other federal or state laws. The Zurich Insurers do not admit liability
5 under the antitrust laws or applicable insurance laws by agreeing to this Stipulated Judgment
6 (“Judgment”). Nonetheless, to avoid the uncertainty and expense of protracted litigation, the
7 Zurich Insurers agree to enter into this Judgment.
8

9 It is hereby ADJUDGED:

10 **I. PARTIES**

11 1. Zurich American Insurance Company is a New York company with its principal place of
12 business at 1400 American Lane, Schaumburg, IL 60196. Zurich American Insurance Company
13 and its insurance subsidiaries, including but not limited to, Steadfast Insurance Company,
14 Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company,
15 American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company,
16 and Assurance Company of America (collectively, the “Zurich Insurers”) are parties to this
17 Order.
18

19 2. The Attorney General is the chief legal officer of the State of Oregon. The Attorney
20 General is authorized to bring this action for violations of federal and state antitrust laws as
21 well as state laws concerning fraud, misrepresentation or similar conduct.
22

23 **II. JURISDICTION**

24 3. The Court finds that it has subject matter jurisdiction and may exercise personal
25 jurisdiction over the Zurich Insurers; *provided however*, that the Court’s exercise of jurisdiction
26 over the Zurich Insurers shall not constitute a basis for nor give rise to personal jurisdiction over

1 Zurich Financial Services. The Court finds that the Attorney General's complaint states a claim
2 upon which relief may be granted.

3 **III. DEFINITIONS**

4 4. As used in this Judgment:

5 a) ***AG Settlement Agreement*** means: the settlement agreement executed between
6 and among the Zurich Insurers and the attorneys general of the States of California, Florida,
7 Hawaii, Maryland, Oregon, Texas and West Virginia, and the Commonwealths of
8 Massachusetts, Pennsylvania and Virginia, the Chief Financial Officer of the State of Florida and
9 the Office of Insurance Regulation of the State of Florida pursuant to which the Zurich Insurers
10 agreed to entry of this Judgment, which agreement is substantially in the form found in Exhibit

11 A.

12
13 b) ***Base Compensation*** means: a retail or wholesale commission paid by a Zurich
14 Insurer to a *Broker or Agent* in connection with the placement of a *Commercial Insurance Policy*
15 that is a percentage of the premium that will be paid by the *Insured* on the *Commercial*
16 *Insurance Policy*.

17
18 c) ***Broker or Agent*** means: an insurance producer as defined by Oregon Revised
19 Statutes ("ORS") 731.104 licensed to do business as such in any state within the United States,
20 that, collectively with its affiliates and any of their respective employees, receives any
21 *Compensation* from a Zurich Insurer in connection with the placement of insurance for an
22 *Insured* or represents the *Insured* with respect to that placement; *provided however*, that the term
23 *Broker or Agent* shall not include an insurance producer that has been appointed a *Captive Agent*
24 by a Zurich Insurer and that discloses to the *Insured* or a representative of the *Insured* that the
25 insurance producer or its affiliate or their employees will receive *Compensation* from a Zurich
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1 Insurer in connection with that placement and/or for the provision of services to the *Insured* for
2 the Zurich Insurer.

3 d) ***Captive Agent means:*** a representative of a Zurich Insurer who is obliged to
4 submit specified business only to a Zurich Insurer or to give a Zurich Insurer first-refusal rights
5 on the placement of a *Commercial Insurance Policy*.

6 e) ***Commencement Date means:*** for *Commercial Insurance Policies*, November 4,
7 2006.

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

16 g) ***Compensation means:*** anything of material value received by a *Broker or Agent*
17 directly from a Zurich Insurer, including, but not limited to, monetary payments, *Base*
18 *Compensation*, *Contingent Compensation*, brokerage fee, service fee, incentive, rebate, money,
19 credit, loan, forgiveness of debt, forgiveness of principal or interest, vacation, prize, gift or the
20 payment of employee salaries or expenses; *provided however*, that the term *Compensation* shall
21 not include any *de minimis* fee or amount collected by or paid to the *Broker or Agent* that does
22 not exceed the total established by the department of insurance in this [State/Commonwealth] for
23 such fees or amounts.
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1 h) **Contingent Compensation means:** *Compensation* paid by a Zurich Insurer to a
2 *Broker or Agent* that is contingent upon the *Broker or Agent*: a) placing a particular number of
3 policies or dollar value of premium with the Zurich Insurers; b) achieving a particular level of
4 growth in the number of policies placed or dollar value of premium with the Zurich Insurers;
5 c) meeting a particular rate of retention or renewal of policies in force with the Zurich Insurers;
6 d) placing or keeping sufficient insurance business with the Zurich Insurers to achieve a
7 particular loss ratio or any other measure of profitability; or e) obtaining anything else of
8 material value for a Zurich Insurer.
9

10 i) **Disclosure means:** a *Disclosure Statement* delivered prior to the time at which
11 the *Commercial Insurance Policy* is bound.

12 j) **Disclosure Statement means:** a written statement substantially in the form found
13 in Exhibit B advising the *Insured* of the *Compensation* that may be paid to the *Broker or Agent*
14 in connection with the placement of one or more *Commercial Insurance Policies*; *provided* that
15 the Zurich Insurers shall notify and seek the approval of the Settling Attorneys General and the
16 Settling Insurance Regulators prior to making any material change to Exhibit B. The *Disclosure*
17 *Statement* shall include the following information:
18

19 i) If *Base Compensation* is paid in connection with the placement of
20 the *Commercial Insurance Policy*: the maximum percentage of the
21 premium that will be paid as *Base Compensation* for each
22 *Commercial Insurance Policy* the *Broker or Agent* places with the
23 Zurich Insurers;
24

25 ii) If *Contingent Compensation* may be paid to the *Broker or Agent* in
26 connection with the placement of the *Commercial Insurance*

1 *Policy*: (i) the maximum percentage of *Contingent Compensation*
2 that could be paid to the *Broker or Agent*, (ii) the average
3 percentage of *Contingent Compensation* paid by the Zurich
4 Insurers in the immediately preceding calendar year and (iii) the
5 factors the Zurich Insurers will consider in determining the
6 percentage of *Contingent Compensation* (if any) to pay to the
7 *Broker or Agent*;

8
9 iii) If any other *Compensation* may be paid to the *Broker or Agent* in
10 connection with the placement of the *Commercial Insurance*
11 *Policy*, how such *Compensation* will be determined;

12 iv) A website address where a *Website Disclosure* will be available to the
13 *Insured*; and

14 v) Other contact information, including a toll-free telephone number
15 that the *Insured* can use to obtain additional information regarding
16 *Compensation* to the *Broker or Agent*.

17
18 k) ***Disclosure Statement Commencement Date* means:** May 5, 2007.

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

25
26 m) ***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

1 business with a Zurich Insurer to achieve a particular loss ratio or
2 any other measure of profitability, or (v) obtaining anything else of
3 material value for a Zurich Insurer).

4 n) ***Settling Insurance Regulators means:*** Those state insurance regulators that have
5 entered into a settlement agreement with the Zurich Insurers that contains substantially similar
6 settlement terms as are set out in the AG Settlement Agreement.

7 o) ***Term means:*** The ten-year (10-year) time period during which the Court shall
8 retain jurisdiction over enforcement of this Judgment, which time period shall begin on the date
9 this Judgment is entered.

10 p) ***Website Disclosure means:*** publication on a Zurich Insurer's website of the
11 *Manner and Method of Compensation* that may be paid for each kind of *Commercial Insurance*
12 *Policy* offered by the Zurich Insurer.

13 q) ***Zurich Financial Services means:*** the corporate entity that is incorporated and
14 headquartered in Switzerland, which entity is the ultimate parent of the Zurich Insurers.
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18 **IV. TERMS**

19 **A. Compliance Program**

20 5. The Zurich Insurers shall implement a compliance program meeting the requirements of
21 this Paragraph IV.A; *provided* that to the extent that the Zurich Insurers seek within the Term to
22 modify any term of the legal compliance program that is set out below in any material respect,
23 they shall provide the Attorney General with notice of their intention to make such modification
24 no less than sixty (60) business days prior to implementing it.
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1 6. Within thirty (30) business days following entry of this Judgment, the Zurich Insurers
2 shall:

3 a) Create, to the extent not already created, a United States Compliance Office (the
4 “Compliance Office”) with responsibility for all compliance and regulatory
5 control matters relating to this Judgment and which embraces the following
6 principles:

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

19 ii) The Compliance Office shall be funded and staffed in sufficient
20 amounts to provide reasonable assurances that the Zurich Insurers
21 will not engage in the acts, practices or courses of conduct that are
22 the subject of this litigation.
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1 iii) The development or strengthening of a training program (including
2 written or online training materials, resources and advisories) for
3 all executive officers and employees that emphasizes the culture of
4 compliance and a supervision and control environment designed
5 to: (i) foster compliance with applicable laws and regulations; (ii)
6 assist with the detection and prevention of criminal and
7 inappropriate conduct; and, (iii) otherwise meet the requirements
8 of the United States Sentencing Guidelines for compliance
9 programs.
10

11 iv) The enhancement or creation of a program pursuant to which the
12 Compliance Officer reports findings and recommendations to the
13 Chief Executive Officer of Zurich North America Commercial,
14 with further reporting of material findings or recommendation that
15 are not timely addressed to the Zurich Financial Services Group
16 Compliance Officer or Group General Counsel, and through these
17 individuals, to the Board of Directors of Zurich Financial Services
18 as necessary.
19

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

3 vi) Consultation by the Compliance Officer with experienced
4 compliance counsel to provide advice and assistance to the
5 Compliance Officer in connection with the investigation,
6 evaluation and prosecution of violations of laws, regulations and
7 prescribed policies, practices and procedures applicable to the
8 Zurich Insurers' operations.

9
10 vii) The enhancement or development of a published disciplinary
11 program to ensure that instances of misconduct are recorded and
12 disposed of according to a graduated scale of sanctions, including
13 reprimand, reduction or suspension of bonus, reduction in base
14 compensation, suspension or degradation of title and/or
15 supervisory responsibility, and dismissal (with or without
16 severance benefits).

17
18 viii) Such special policies, practices, training and procedures as the
19 Compliance Officer reasonably deems necessary and appropriate
20 to provide effective supervision and oversight to the business
21 conducted by the Zurich Insurers' excess casualty operations.

22 ix) The enhancement or development of a records retention policy
23 designed to ensure that electronic and hard copy documentation
24 respecting quotations for Commercial Insurance Policies provided
25 to prospective insureds, but not bound, are maintained until such
26

1 time as, from time to time, an internal audit of such quotations is
2 undertaken and completed.

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

- 5 a) Furnishing a copy of the Agreed Final Judgment and Stipulated Injunction
6 entered in Texas District Court, Travis County (the "Texas Judgment")
7 within thirty (30) business days of entry of same to each of the Zurich
8 Insurers' officers and directors, and to each of the Zurich Insurers'
9 employees (and their supervisors) who has authority to underwrite, quote,
10 bid, write or contract Commercial Insurance Policies; *provided* that the
11 Compliance Officer need not provide a copy of the Texas Judgment to
12 employees whose functions are purely clerical or manual and do not
13 include quoting, writing or selling Commercial Insurance Policies;
14
15 b) Furnishing within thirty (30) business days a copy of the Texas Judgment
16 to any person who succeeds to a position described in Paragraph IV.A.7.a;
17
18 c) Arranging for an annual briefing to each person described in Paragraph
19 IV.A.7.a. on the meaning and requirements of the Texas Judgment and all
20 laws covered by it;
21
22 d) Obtaining from each of the Zurich Insurers' officers and directors
23 certification that he or she: (i) has read and, to the best of his or her
24 ability, understands and agrees to abide by the terms of the Texas
25 Judgment; (ii) does not have specific knowledge of any violation of the
26 Texas Judgment that has not been reported to the Compliance Officer; and

1 (iii) understands that any person's knowing failure to comply with the
2 Texas Judgment may result in an enforcement action for contempt of court
3 against such person for violation of the Texas Judgment;

4 e) Maintaining: (i) a record of certifications received pursuant to Paragraph
5 IV.A.7.d; (ii) a file of all documents related to any alleged violation of this
6 Judgment and laws covered by this Judgment; and (iii) a record of all
7 communications related to any such violation, which shall identify the
8 date and place of the communication, the person(s) involved, the subject
9 matter of the communication, and the results of any related investigation;
10 and
11

12 f) Reviewing the final draft of each speech made by any officer or director
13 addressing the provision of bids respecting Commercial Insurance Policies
14 in order to ensure its adherence with this Judgment.
15

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

- 17 a) federal antitrust laws;
18 b) state antitrust laws;
19 c) state unfair insurance practice laws;
20 d) state insurance laws and regulations;
21 e) the fiduciary obligation of Brokers or Agents to clients; and
22 f) the overall obligation of the Zurich Insurers' employees not to engage in
23 conduct that is fraudulent or deceptive, or to aid others who are engaging
24 or attempting to engage in fraudulent or deceptive conduct.
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1 9. Within sixty (60) business days of entry of this Judgment, the Zurich Insurers shall
2 present to the Attorney General a written report that it has implemented or is in the process of
3 implementing a compliance program consistent with the terms set out in this Judgment for their
4 review.

5 10. If the Compliance Officer learns of any violation of any of the terms and conditions
6 contained in this Judgment, he or she shall take steps to ensure that the Zurich Insurers
7 immediately take appropriate action to terminate or modify the activity so as to comply with this
8 Judgment and the Zurich Insurers shall report any such violations and any related corrective
9 action to the Attorney General no later than twenty (20) business days after determining that a
10 violation in fact occurred.
11

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

14 12. The Attorney General may, at its expense and upon reasonable notice, attend and witness
15 the presentation of any compliance presentations required by this Judgment.
16

17 13. The Attorney General may retain, at the Zurich Insurers' expense, an expert in
18 the insurance industry to assist it in reviewing any aspect of the legal compliance
19 program that the Zurich Insurers adopt pursuant to the terms of this Judgment.
20

21 **B. Collusion and Market Manipulation Prohibited**

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

1 15. The Zurich Insurers shall not enter into, engage in, or solicit or otherwise seek to
2 enter any agreement, not permitted by applicable law, with any Broker or Agent, or with
3 any insurance company, reinsurance company, insurance exchange, or any person
4 employed by, or an agent of, any such entity to allocate customers or markets, to rig bids
5 or quotes, or to submit bids or quotes that would violate Paragraph IV.B.14.

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

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

17 **C. Disclosure of Compensation**

18 18. As of the Disclosure Statement Commencement Date, each of the Zurich Insurers
19 shall require, in connection with the placement or renewal of a Commercial Insurance
20 Policy issued by a Zurich Insurer, that each Broker or Agent has undertaken to provide
21 each Insured with Disclosure.

22 19. As of the Commencement Date, the Zurich Insurers shall provide Website
23 Disclosure.

24 20. The disclosure provision set out in Paragraphs IV.C.18 and IV.C.19 of this
25 Judgment may be modified under the following circumstances:
26

1 a) With the prior approval of the Attorneys General.

2 b) **Consistency of terms and conditions:** To the extent that the Attorney General
3 requires that one or more of the insurers identified as "Insurer Defendants" in the Second
4 Consolidated Amended Commercial Class Action Complaint filed on or about February 1, 2006
5 in the action styled *In re Insurance Brokerage Antitrust Litigation*, MDL No. 1663, Civil No. 04-
6 5184 (FSH) (D.N.J.), that has engaged in substantially similar conduct provide disclosure in this
7 Commonwealth/State respecting Compensation that is different from that required of the Zurich
8 Insurers, the Zurich Insurers may, upon notification to the Attorney General, modify the
9 disclosure that they are required to provide in this State pursuant to the terms of this Judgment to
10 be consistent with the disclosure required of such Insurer Defendant(s).

12 c) **Market Disruption:** To the extent that the Zurich Insurers believe that they (or
13 any of them) have suffered a market reduction in any reporting unit as a result of complying with
14 the disclosure provision of this Regulatory Settlement Agreement, then the Zurich Insurers may
15 petition the Settling Insurance Regulators for a modification of such provision by making such
16 assertion to the Chair of the Broker Activities Task Force of the National Association of
17 Insurance Commissioners (the "NAIC Task Force") (or, if such NAIC Task Force has been
18 dissolved or declines to act, the Illinois Department of Insurance (the "Illinois DOI")), who will
19 initiate an expedited process to review the Zurich Insurers' assertion and, after providing the
20 Attorney General of the Commonwealth of Pennsylvania with notice and an opportunity to
21 comment, shall issue findings of fact and a recommendation respecting the requested
22 modification request; *provided* that if the Chair of the NAIC Task Force (or, as the case may be,
23 the Illinois DOI) finds that the Zurich Insurers have suffered such a reduction and recommends a
24 modification of the disclosure provision, the Attorney General shall review such findings and
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1 recommendation on an expedited basis, giving them considerable weight, and shall take
2 whatever steps may be necessary to modify the disclosure provision of this Judgment consistent
3 with the recommended modification or such other modification as may be consistent with the
4 purposes of this paragraph to address any market disruption, unless the Attorney General
5 disagrees with the findings and/or recommendation, or concludes that they are not applicable in
6 this State in which case the basis and reasons for rejecting the findings and/or recommendation
7 shall be set forth in writing; *provided* that the Zurich Insurers shall retain all rights under
8 applicable law to obtain review of such decision by the Attorney General.
9

10 **V. Cooperation and Compliance**

11 21. **Annual Report** – Within 120 days of the closing of each calendar year that falls
12 within the Term, the Zurich Insurers shall submit to the Attorney General a report
13 demonstrating their compliance with all of the provisions of this Judgment; *provided* that the
14 Attorney General shall keep confidential any information contained in the Annual Report that
15 is marked confidential by the Zurich Insurers.
16

17 22. **Binding on Successors and Assigns** – The terms of this Judgment are binding on
18 the Zurich Insurers, their directors, officers, managers, employees, successors and assigns,
19 including, but not limited to, any person or entity to whom the Zurich Insurers or any of them
20 may be sold, leased or otherwise transferred, during the Term.

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

4 a) the voluntary production (without service of subpoena) of (i) any and all non-
5 privileged information and documents or other tangible evidence reasonably available
6 and requested by the Attorney General in connection with an investigation based upon
7 the acts, practices or courses of conduct that are the subject of this Judgment; and, (ii) any
8 compilation or summaries of information or data that the Attorney General reasonably
9 request be prepared;

10
11 b) the use of reasonable best efforts on the part of the Zurich Insurers to ensure that
12 current and former officers, directors, employees and agents of a Zurich Insurer fully and
13 promptly cooperate with the Attorney General in connection with any investigation based
14 upon the acts, practices or courses of conduct that are the subject of this Judgment or
15 related proceeding, including attendance (without service of a subpoena) at any
16 proceeding as requested by the Attorney General; and

17
18 c) the Zurich Insurers shall not object to the production of non-privileged documents
19 or witnesses on the ground that the documents or witnesses requested relate to matters
20 outside this State; and

21 d) With respect to any document withheld or redacted on the grounds of privilege,
22 work product or other legal doctrine, submission of a written log by the Zurich Insurers
23 indicating: (i) the type of document; (ii) the date of the document; (iii) the author and
24 each recipient of the document; (iv) the general subject matter of the document; (v) the
25

1 reason for withholding the document; and (vi) the Bates number or range of the withheld
2 document.

3 e) The actual or potential applicability of the McCarran-Ferguson Act to the conduct
4 covered by the documents or witnesses requested pursuant to this paragraph shall not be a
5 basis for withholding information in response to such a request.

6 f) To determine or secure compliance with this Judgment, and without limiting
7 otherwise applicable law, any duly authorized representative of the Attorney General
8 shall be permitted, upon reasonable notice and during normal business hours:

9
10 i) Access to all non-privileged book, ledgers, accounts, correspondence,
11 memoranda, other records and documents in the possession or under the
12 control of a Zurich Insurer, as applicable, relating to any matters contained
13 in this Judgment; and,

14 ii) To interview officers, managers or employees of the Zurich Insurers, as
15 applicable, regarding any matters contained in this Judgment.
16

17 24. **Enforcement** – If the Attorney General believes that there has been a violation
18 of this Judgment, the Zurich Insurers shall be promptly notified in writing thereof. The
19 Attorney General shall thereafter permit the Zurich Insurers a reasonable opportunity to
20 cure any alleged violation without instituting legal action. If the alleged violation is not
21 substantially cured by the Zurich Insurers within sixty (60) days of the notification, the
22 Attorney General may thereafter seek to undertake any remedial action deemed
23 appropriate. This time period may be extended in circumstances where the sixty-day
24 (60-day) period does not allow sufficient time to cure the alleged violation.
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1 25. If the Attorney General prevails in any action or proceeding to enforce this
2 Judgment, or in any action or proceeding otherwise arising out of or relating hereto, the
3 Court shall award costs and expenses, including a reasonable sum for attorneys' fees.

4 26. **Legal Exposure** – This Judgment is not intended to give any legal rights or
5 remedies of any nature to any third party.

6 27. **Notices** – All notices required by this Judgment shall be sent by certified or
7 registered mail, return receipt requested, postage prepaid or by hand delivery to:

8
9 **If to the Attorney General:**

10 Caren Rovics, Assistant Attorney General
11 Financial Fraud/Consumer Protection Section
12 Civil Enforcement Division
1162 NE Court Street
Salem, OR 97301

13 **If to the Zurich Insurers**

14 Ralph C. Ferrara, Esq.
15 Stephen A. Best, Esq.
16 Ann M. Ashton, Esq.
17 David S. Turetsky, Esq.
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105 E. 17th Street
22 New York, New York 10004
Telephone: (917) 534-4500

23
24 David Bowers, Esq.
Zurich North America
1400 American Lane
25 Schaumburg, Illinois 60196
26 Telephone: (847) 605-6000

1 28. This Judgment shall be governed by and interpreted according to the laws of this
2 state, excluding its conflict of laws provisions.

3 29. Nothing in this Judgment shall prevent or otherwise restrict the department of
4 insurance of this State from pursuing regulatory action against a Zurich Insurer for
5 regulatory issues that are unrelated to the matters released pursuant to the settlement
6 agreement executed between the Attorney General and the Zurich Insurers.

7 30. Nothing in this Judgment or any of its terms and conditions shall be interpreted
8 to alter in any way the contractual terms of any insurance policy sold, assumed or
9 acquired by a Zurich Insurer.

10 31. Nothing in this Judgment releases a Broker or Agent from its obligations to
11 make disclosures required by law or contract to Insureds.

12 32. **Modification** – Subject to Paragraph IV.C.20 above, if the Attorney General or
13 the Zurich Insurers believe that modification of this Judgment would be in the public
14 interest, that party shall give notice to the other and the parties shall attempt to agree on
15 a modification. If the parties agree on a modification, they shall jointly petition the
16 Court to modify the Judgment, and such modification shall be granted unless the Court
17 determines that the modification is contrary to the public interest.

18 33. **Retention of Jurisdiction** – Subject to Paragraph IV.C.20.b above, the Court
19 retains jurisdiction during the Term to enable the Attorney General or the Zurich
20 Insurers to apply to this Court for such further orders and directions as may be
21 necessary and appropriate for the interpretation, modification, and enforcement of this
22 Judgment. The Zurich Insurers will not later challenge the Court's jurisdiction to
23 enforce this Judgment.

1 34. If the AG Settlement Agreement is terminated for any reason, then this
2 Judgment shall be vacated and shall be deemed to be null and void, and have no force or
3 effect on any of the Parties.

4 35. **No Admission of Liability** – The Zurich Insurers, desiring to resolve the Attorney
5 General’s concerns without trial or adjudication of any issue of fact or law, have
6 consented to entry of this Judgment, which is not an admission of liability by the Zurich
7 Insurers as to any issue of fact or law. Neither this Judgment nor the Zurich Insurers’
8 agreement to its entry may be offered or received into evidence in any action as an
9 admission of liability, whether arising before or after the entry of the Judgment.
10

11 AND SO ADJUDICATED,

12 DATED this 4 day of December, 2006.

13 J/Anthony Behrens
14
15 Circuit Court Judge

16 STIPULATED AND AGREED TO BY:

17
18
19 **PLAINTIFF:**
OREGON ATTORNEY GENERAL

20 Caren Rovics
21
22 By: Caren Rovics, AAG

23 Date: 12/4/2006
24
25
26

1 STIPULATED AND AGREED TO BY:

2
3  11/30/06

4 DAVID W. SILKE OSB #91429
5 Carney Badley Spellman
6 701 Fifth Avenue, Suite 3600
7 Seattle, WA 98104

8 Approved As To Form
9 Of Counsel:

10 RALPH C. FERRARA
11 STEPHEN A. BEST
12 ANN M. ASHTON
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17 JOHN S. PRUITT
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19 125 West 55th Street
20 New York, NY

21 **ATTORNEYS FOR ZURICH**
22 **AMERICAN INSURANCE COMPANY,**
23 **STEADFAST INSURANCE COMPANY,**
24 **FIDELITY & DEPOSIT COMPANY OF**
25 **MARYLAND, EMPIRE FIRE &**
26 **MARINE INSURANCE COMPANY,**
AMERICAN GUARANTEE &
LIABILITY INSURANCE COMPANY,
EMPIRE INDEMNITY INSURANCE
COMPANY, AND ASSURANCE
COMPANY OF AMERICA

**SETTLEMENT AGREEMENT WITH
OFFICES OF THE ATTORNEYS GENERAL**

This Settlement Agreement with Offices of the Attorneys General and certain insurance regulators (the "AG 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 Office of the Attorney 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 Officer of the State of Florida and the Office of Insurance Regulation of the State of Florida (collectively, the "Settling Attorneys General").

WHEREAS, certain state attorneys general and insurance departments initiated civil investigations (collectively, the "Investigations") into (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 Insurers; and

WHEREAS, the Settling Attorneys General have found that:

1. the Zurich Insurers have cooperated, and continue to cooperate, with the attorneys general as well as with the departments of insurance in connection with 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 a putative class action styled *In re Insurance Brokerage Antitrust Litigation*, MDL No. 1663, Civil No. 04-5184 (FSH) (the "Class Action"), which action is pending in the United States District Court for the District of New Jersey (the "Class Action Court");

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 A 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 settlement agreements (the "Regulatory Settlement Agreements") with certain of the departments of insurance ("Settling Insurance Regulators") that contain substantially similar settlement terms as are set out in this AG 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 AG Settlement Agreement ("Parallel Agreements"); and

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

WHEREAS, the Zurich Insurers and the Settling Attorneys General 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, the Settling Attorneys General find that:

1. execution of this AG Settlement Agreement is in the public interest; and
2. this AG 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 Attorneys General in entering into this AG Settlement Agreement that any of its terms place the Zurich Insurers at a competitive disadvantage; and
4. the Zurich Insurers enter into this AG 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, this AG Settlement Agreement shall become effective on the date that it is signed by the Zurich Insurers and the Settling Attorneys General.

NOW THEREFORE, the Zurich Insurers and each of the Settling Attorneys General hereby enter into this AG Settlement Agreement and agree as follows:

ENTRY OF ORDER AND STIPULATED INJUNCTION

1. The Zurich Insurers agree to entry of an Order and Stipulated Injunction in the state court of each of the signatory states in a form substantially and materially consistent with the document attached as Exhibit B; *provided* that the Settling Attorneys General shall submit the Order and Stipulated Injunction to each of their respective state courts for entry within one hundred eighty (180) days following the execution of this AG Settlement Agreement.

RESTITUTION

2. 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 9, resolve all of the issues, allegations and claims that arise as to the Zurich Insurers pursuant to the Investigations; *provided* that, subject to the consent of the Settling Attorneys General, 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 shall provide, 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.

3. 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 7 below. No portion of the Combined Settlement Amount shall be considered a fine or a penalty.

4. 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 Attorneys General, 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*, in negotiating the terms of the settlement agreement with the Class Action Plaintiffs, the Zurich Insurers will use their best efforts to ensure that the Settling Attorneys General be given an equal, rather than consultative, role with Co-Lead Counsel in preparing the Plan of Allocation; *provided further* that the terms Settlement Class Members and Settlement Class Period have the same meaning as in the MOU.

5. 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:

a. 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);

b. the aggregate amount of all Settlement Credits applied against the Additional Settlement Amount pursuant to this Paragraph 5 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 an avoidance of doubt, a NY Parallel Agreement or an Ohio Parallel Agreement.

c. 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").

d. This Paragraph 5 is subject to Paragraph 26 below.

6. 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 the 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 5.c 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.

PAYMENT TO STATES

7. Within sixty (60) days following the execution date of this AG 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 this 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 this 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 this AG Settlement Agreement and the Regulatory Settlement Agreement, (ii) negotiating this AG Settlement Agreement and the 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.

NON-ADMISSIBILITY OF AGREEMENTS AND PROCEEDINGS

8. Nothing in the MOU, this AG Settlement Agreement, the Order, the Regulatory 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 9 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 8 shall prohibit a state entity from enforcing any provision of this AG Settlement Agreement.

RESOLUTION OF CLAIMS AND INVESTIGATIONS AND COVENANT NOT TO SUE

9. Upon execution of this AG Settlement Agreement, the Settling Attorneys General 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 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.

10. The Settling Attorneys General shall not 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.

11. Nothing in paragraphs 9 and 10 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 9) other than those individuals and entities that are within the definition of Zurich Releasees.

12. Nothing in Paragraphs 9 and 10 shall be deemed to preclude a Settling Attorney General's or a Settling Insurance Regulator's review of acts, practices or courses of conduct that occur after the execution date of the AG Settlement Agreement.

13. In exchange for the consideration cited within this AG Settlement Agreement, the Settling Attorneys General covenant not to bring any action against the Zurich Releasees based upon or involving Finite Insurance/Reinsurance and/or Non-Traditional Products, which collectively, for purposes of this AG Settlement Agreement, is defined as any product or service that was entered into, completed, closed, purchased, developed, marketed, distributed, offered, sold, or authorized for sale or distribution by a Zurich Releasee that could be or was used to affect the timing or amount of revenue or expense recognized in any particular reporting period, including without limitation, transferring financial assets off of a counter-party's or a Zurich Releasee's balance sheet, extinguishing liabilities, avoiding charges or credits to the counter-party's or the Zurich Releasee's financial statements, deferring the recognition of a known and quantifiable loss, or transferring risk through an insurance transaction in which a material term relating to such risk transfer (whether or not legally enforceable) is not reflected in the formal written contractual documentation for the transaction; *provided* that nothing in this Paragraph 13 shall be construed as a release or as otherwise precluding any Settling Insurance Regulators, including without limitation, the Florida Department of Financial Services and the Office of Insurance Regulation of the State of Florida, from seeking and obtaining any and all relief against a Zurich Releasee for claims (if any) relating to Finite Insurance/Reinsurance and/or Non-Traditional Products.

OTHER PROVISIONS

14. The Settling Attorneys General 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 Attorneys General shall take no position.

15. The fact that the Zurich Insurers have entered into this AG Settlement Agreement is not intended to disqualify any Zurich Releasee from engaging in any business in any of the signatory states. Nothing in this AG Settlement Agreement shall relieve any of the Zurich Releasees from obligations imposed by any applicable state insurance law or regulation, or other applicable law.

16. This AG Settlement Agreement is not intended to and shall not confer any rights upon any persons or entities besides the Settling Attorneys General and the Zurich Releasees.

17. 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.

18. If compliance with any aspect of this AG Settlement Agreement proves impracticable, the Zurich Insurers reserve the right to request from the Settling Attorneys General a modification to this AG Settlement Agreement accordingly.

19. Whenever this AG Settlement Agreement or the settlement agreement in the Class Action 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 Attorneys General:

Mark Tobey, Esq.
Chief, Antitrust and Civil Medicaid Fraud Division
Office of the Attorney General – State of Texas
300 W. 15th Street, 9th Floor
Austin, Texas 78701
Telephone: (512) 463-1262
Facsimile: (512) 320-0975

Patricia A. Conners, Esq.
Director, Antitrust Division
Office of the Attorney General – State of Florida
Antitrust Division
PL-01, The Capitol
Tallahassee, Florida 32399-1050
Telephone: (850) 414-3300
Facsimile: (850) 488-9134

Tom Gallagher
Chief Financial Officer of the State of Florida
c/o Dennis Silverman
Chief Counsel
Department of Financial Services
200 East Gaines Street
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Tallahassee, Florida 32399-0333
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Facsimile : (850) 488-0697

Steven H. Parton, Esq.
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Jim L. Bennett, Esq.
Assistant General Counsel
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Chief Deputy Attorney General
Office of the Attorney General of Pennsylvania
14th Floor, Strawberry Square
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If to the Zurich Insurers:

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Telephone: (917) 534-4500

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

20. This AG Settlement Agreement shall be governed by and interpreted according to the laws of State of New Jersey, excluding its conflict of laws provisions; *provided however*, that the Order shall be governed by and interpreted according to the laws of the state court in which it is entered, excluding its conflict of laws provisions.

21. All matters relating to the enforcement and interpretation of this AG Settlement Agreement shall be subject to the jurisdiction of the Class Action Court; *provided however*, that the Class Action Court's exercise of jurisdiction over this AG Settlement Agreement shall not constitute a basis for nor give rise to personal jurisdiction over Zurich Financial Services; *provided further* that, consistent with Paragraph V.32 of the Order, the state court in which the Order is entered shall retain jurisdiction to interpret and enforce the Order.

22. Nothing in this AG 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 9 and 10 above.

23. This AG 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 the Settling Attorneys General and the Zurich Insurers.

24. Nothing in this AG 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.

25. 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 AG Settlement Agreement shall have the right, but not the obligation, to terminate this AG Settlement Agreement if (i) the MOU is terminated, (ii) any settlement agreement executed in the Class Action is terminated or (iii) the Court refuses to enter the Order and Stipulated Injunction in a form substantially and materially consistent with Exhibit B.

26. The Settling Attorneys General shall have the right, but not the obligation, to terminate this AG Settlement Agreement if the Zurich Insurers agree to make a payment (other than the payment of a fine, penalty, fee or cost) pursuant to any Parallel Agreement (other than the NY Parallel Agreement) that offers payments to insureds in the state that is party to the Parallel Agreement that are disproportionately higher than the payments offered to similarly situated insureds in other states pursuant to the Plan of Allocation (as that term is defined in the MOU) and the NY Parallel Agreement; *provided however*, that the ability of the Settling Attorneys General to terminate this AG Settlement Agreement pursuant to this paragraph shall expire as of the close of business on December 26, 2006.

27. The Settling Attorneys General shall have the right, but not the obligation to terminate this AG Settlement Agreement if they are not satisfied with the Plan of Allocation;

provided however, that the ability of the Settling Attorneys General to terminate this AG Settlement Agreement pursuant to this paragraph shall expire at the earlier of the date on which the Class Action Court's approval of the Class Action settlement agreement becomes final or the date on which the Class Action Court approves the Plan of Allocation.

28. If this AG 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 Attorneys General shall be bound by any of its terms, except as follows:

- a. The provisions of Paragraph 7 relating to the refund of the State Payment from the escrow account shall continue in effect.
- b. Neither this AG 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 AG Settlement Agreement nor its execution of this AG 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.

**ATTORNEY GENERAL OF THE STATE
OF TEXAS**

GREG ABBOTT
Attorney General of Texas
BARRY R. McBEE
First Assistant Attorney General

EDWARD D. BURBACH
Deputy Attorney General for Litigation

MARK TOBEY
Assistant Attorney General
Chief, Antitrust and Civil Medicaid Fraud
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Office of the Attorney General
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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**

Executed this 17th day of March, 2006

**ATTORNEY GENERAL OF THE STATE
OF TEXAS**

GREG ABBOTT
Attorney General of Texas
BARRY R. McBEE
First Assistant Attorney General

EDWARD D. BURBACH
Deputy Attorney General for Litigation



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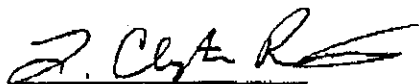
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INSURANCE COMPANY, FIDELITY &
DEPOSIT COMPANY OF MARYLAND,
EMPIRE FIRE & MARINE INSURANCE
COMPANY, AND ASSURANCE
COMPANY OF AMERICA**

**ATTORNEY GENERAL, DEPARTMENT
OF FINANCIAL SERVICES AND OFFICE
OF INSURANCE REGULATION OF THE
STATE OF FLORIDA**

CHARLES J. CRIST, JR.
Attorney General
State of Florida

TOM GALLAGHER
Chief Financial Officer of the State of Florida
Department of Financial Services



L. CLAYTON ROBERTS
Deputy Attorney General
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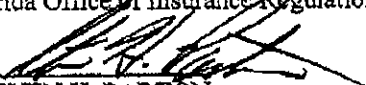
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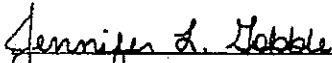
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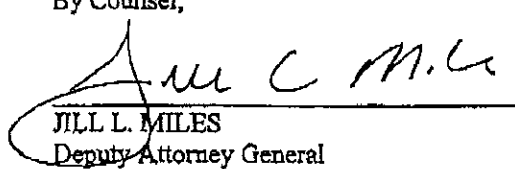
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Zurich Agent/Broker Compensation Policy

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. 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.