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In the Matter of

**Zurich Holding Company of America, Inc. and
Zurich American Insurance Company.**

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ASSURANCE OF DISCONTINUANCE AND VOLUNTARY COMPLIANCE

Pursuant to the provisions of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law §§ 340 et seq.), the Martin Act (Gen. Bus. Law § 352-c) and the common law of the State of New York, Eliot Spitzer, Attorney General of the State of New York caused an investigation to be made of Zurich Financial Services, a Swiss company (“ZFS”), Zurich Holding Company of America, Inc. (“Zurich Holding”) and their insurance subsidiaries including but not limited to Zurich American Insurance Company (“ZAIC”) relating to practices in the marketing, sale, renewal, placement or servicing of insurance and reinsurance and their accounting and public reporting practices, including those relating to nontraditional and finite insurance and reinsurance (the “Investigation”); and pursuant to Conn. Gen. Stat. §§ 35-24 et seq. (the Connecticut Antitrust Act) and Conn. Gen. Stat. §§ 42-110a et seq. (the Connecticut Unfair Trade Practice Act), Richard Blumenthal, Attorney General of the State of Connecticut, caused an investigation to be made of ZFS, Zurich Holding and their insurance subsidiaries on the subject matter of the Investigation; and pursuant to the Illinois Antitrust Act, 740 ILCS 10/1 et seq. and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq. Lisa Madigan, Attorney General of the State of Illinois, caused an investigation to be made of ZFS, Zurich Holding and their insurance subsidiaries on the subject matter of the Investigation

(collectively “Attorneys General Investigations”); and Howard Mills, the Superintendent of Insurance of the State of New York (the “Superintendent”), conducted an investigation of ZFS, Zurich Holding and their insurance subsidiaries on the subject matter of the Investigation (the “Superintendent’s Investigation”); and based upon the Attorneys General Investigations and the Superintendent’s Investigation the following findings have been made:

1. Since at least the mid-1990s Zurich US¹ and other insurers have paid hundreds of millions of dollars in so-called “contingent commissions” to the world’s largest insurance brokers, including Marsh & McLennan Companies, Inc. or Marsh Inc. (collectively “Marsh”), Aon Corporation (“Aon”), Willis Group Holding Ltd. (“Willis”), and Arthur J. Gallagher & Co. (“Gallagher”) as well as thousands of smaller brokers and independent agents.

2. Zurich US entered into a number of contingent commission agreements (also known as “override” agreements) to pay compensation to Producers,² such as Marsh, Aon, Willis and Gallagher as a result of which they steered insurance policies to Zurich US to: (1) increase the volume of policies written by Zurich US; (2) keep retention levels of existing Zurich US policies above certain benchmarks; and (3) direct more profitable policies to Zurich US. In most cases, steering took the form of Producers purporting to offer unbiased recommendations to their

¹ For purposes of this Agreement, “Zurich US” shall mean Zurich Holding and ZFS’s insurance subsidiaries, in which ZFS has a controlling interest, doing business in the United States and its territories, including but not limited to ZAIC and its respective subsidiaries.

² For purposes of this Agreement, “Producer” shall mean any insurance broker as that term is defined in § 2101(c) of the Insurance Law of the State of New York or any independent insurance agent as that term is defined in § 2101(b) of the Insurance Law of the State of New York and who offers insurance for a specific product or line from more than one insurer or affiliated group of insurers.

clients about the selection of insurers when in fact, in many cases, the Producers' recommendations were biased in favor of insurers who paid contingent commissions.

3. Under these agreements, when a Producer helped Zurich US retain its existing business at renewal time, Zurich US paid the Producer higher contingent commissions. For example, in the 2002 placement service agreement between the two companies relating to excess casualty, Zurich US agreed to pay Marsh an aggregate percentage of gross written premium that varied from a minimum of 10% for the first \$1 of premium to 18% for any amount over \$400 million dollars of premium.

4. In the area of excess casualty insurance, which covers losses above the limits provided by policyholders' primary property and casualty insurance policies, and in which Zurich US is a major provider, Marsh, Zurich US and other insurers on certain occasions rigged the process of bidding for insurance policies and actively deceived clients. Zurich US participated in the scheme in two ways: (1) where Zurich US was the incumbent on the lead layer of business, Marsh generally sought to protect Zurich's incumbency and gave Zurich US an unfair competitive advantage by seeking out non-competitive bids from other insurers, and (2) where Zurich US was not the incumbent on the lead layer, Zurich US agreed to provide quotes to protect the incumbent, sometimes with the understanding that it would receive business on an excess layer without competition. Both of these were to the detriment of the insured, whose best interests Marsh was supposed to be serving.

5. The details of the scheme were as follows: when Zurich US was the incumbent

carrier on the lead layer, or was otherwise chosen by Marsh to win a client's excess layer business, Marsh set a target for Zurich US--typically embodied in a Marsh authored "broking plan"-- which included proposed premium and policy terms for Zurich US's bid as a part of the renewal process. If Zurich US met this target Marsh generally arranged for Zurich US to win the business, regardless of whether Zurich US, or any other insurance company, could have quoted better terms for the client.

6. In order to ensure that Zurich US won business it wanted, Marsh instructed other insurance companies to provide intentionally losing bids that were inferior to those provided by Zurich US. These losing quotes were known, among other things, as "fake," "backup," "supportive," or "protective quotes." They were also known as "B Quotes" or simply "B's." Once it had secured such quotes, Marsh would present them to clients as bids obtained through a competitive process. This pretense of competition was intended to, and did, give clients the impression that Zurich US's bid was the best available. It also had the effect of directing business to Zurich US, not at terms best for the client, but rather at terms advantageous to Zurich US. Certain employees of Zurich US were aware of this arrangement and of the "B Quotes" supplied by other insurers. Set forth below are specific examples of Zurich's both receiving and giving protective quotes under this scheme:

- a. In March of 2002, Client A was looking to renew its excess casualty coverage on which Zurich US was the incumbent on the lead layer. Prior to receiving any quotes or even sending out requests for submissions, Marsh created a broking plan which listed the amount Zurich US should

quote to win the renewal and the companies that it intended to receive B quotes from to ensure Zurich US would obtain the coverage. The broking plan stated “the above represents a 72% rate increase for Zurich. Liberty [Mutual] is for type B only. Lets [sic] send to ACE for B as well.” Marsh then gave a target to Zurich US for its bid. When Zurich US met the target, Marsh contacted Liberty and AIG (which replaced ACE) and requested B quotes. The quotes received from Liberty and AIG were, as directed by Marsh, at a higher rate than Zurich US’s quote. Zurich US received the renewal.

- b. The next year when the same client’s coverage for \$50 million of losses was up for renewal, Marsh and Zurich US again rigged the process to ensure Zurich US received the contract. On this broking plan, Marsh wrote, “Let’s use AIG & Liberty as B Quotes.” Marsh, after receiving Zurich US’s bid, contacted AIG and Liberty and obtained protective quotes higher than Zurich US’s. The client, however, was not pleased with the price of Zurich US’s bid for the \$50 million of coverage and requested that Marsh get quotes for coverage of only \$25 million of losses. Marsh, in response, engineered the bids for \$25 million of coverage to convince the client to continue to get the higher more expensive coverage from Zurich US. As one Marsh executive wrote:

The client has requested another option to the
\$50mm x P (\$163,200) Zurich has quoted. [Client

Advisor] needs to show an option from A+ carrier for a lead \$25mm x P so I had [the Marsh executive] get a \$25 mm x P quote from Liberty for \$125,000. Please have Zurich come in around \$75,000-\$100,000 for 25mm x25mm that way this option is much higher than Zurich's 50mm x P quote for \$163,200.

Not surprisingly, after the bids were arranged, the client selected Zurich US for the higher coverage.

- c. In May of 2003, Client B, a non-profit corporation, was seeking competitive quotes on its excess casualty coverage where Zurich US was the incumbent. Marsh's broking plan called for Zurich US to maintain the contract and for other insurance companies to provide B Quotes. The plan stated "AIG is to B quote to Zurich. All other markets are B to Lead if the target is met." After Zurich US met its target, Marsh sought B quotes to protect it. As a Marsh e-mail to AIG stated, "Need a [sic] e-mail indication at \$400,000. Zurich, the incumbent hit the target" Marsh informed the client of Zurich US's competitors' higher quotes and Zurich US was awarded the coverage.
- d. In addition to being protected on its lead coverage, Zurich US also played the role of protector. In July of 2002, Zurich US was asked in a series of e-mails to protect AIG's bid on the lead renewal for Client C. In the first e-mail, a Marsh executive wrote to the Zurich US underwriter:

Please offer a protective quote, [Zurich US underwriter] will quote the excess when he returns.

I am faxing over a copy of AIG's lead, so you make sure you quote a protective.

That was followed by a second e-mail from the same Marsh executive to another Zurich US underwriter:

AIG quoted this . . . they have quoted 47,500,000 x 2,500,000/5mm/5mm=\$600,000

Please offer a higher protective quote on this. You are slotted in the excess.

Zurich US complied with the request and submitted a higher protective quote. AIG ultimately received the renewal and Zurich US received the promised excess layer coverage.

- e. Zurich US also acted as its competitors' protector in May of 2003 with Client D. Client D was looking to rebid its excess coverage on which AIG was the incumbent. Marsh sought protective quotes from Zurich US and other insurance companies to protect AIG from competition on its account.

Marsh wrote to Zurich US:

Can you give me a protective indication on this. It is an AIG renewal and AIG already quoted it so just give me a bad price with higher per occ. attachment and then we can be done with this.

The e-mail then attached AIG's quote so Zurich US would know the amount above which it needed to bid. Zurich US complied with the request and sent the "B" Quote.

7. Zurich US's participation in the manipulation of the bidding process was not

limited to either excess casualty insurance or its use of Marsh as the insurance broker for the coverage. As described below, Zurich US also engaged in the orchestrating of bids with other brokers, including Aon and Willis, in a variety of insurance lines.

8. In September of 2003, Aon sought insurance coverage for Client E. After the contract was bound, Zurich US became concerned that it had provided coverage for a poor risk and to protect itself against that risk, paid \$18,000 for an excess insurance policy. Zurich US was upset about this additional cost and Aon offered to make up the \$18,000 through future transactions with Zurich US.

9. An opportunity presented itself later that month when Client F hired Aon to obtain insurance coverage for it. Zurich US provided a formal quote to Aon for the business. In response, shortly after the initial bid was submitted, Aon contacted Zurich US and suggested that Zurich US could raise its quote without losing the bid. Zurich US then provided a revised quote increased by more than \$18,000 on the workers compensation portion of the bid. Zurich US was awarded the contract at the increased price, and received de facto compensation for the \$18,000 excess insurance policy discussed in paragraph 8 above.

10. In 2001, Willis was attempting to obtain bids for insurance for a parking and shuttle contract for Client G. Under the requirements of the contract, Client G was required to receive three bids from insurance companies. Willis was unable to get three insurance companies to bid and received only a single quote from the Fireman's Fund. Willis, therefore, asked two insurance companies, Zurich US and CNA, to provide bids to protect the Fireman's

Fund quote. Willis provided both Zurich US and CNA with the number to exceed, to ensure they would not get the business. In his e-mails to the companies, the Willis broker stated:

[W]e need the alternative quotes to come in higher than [Fireman's Fund's] first dollar indication. I have come up with a premium breakdown that follows, and need a quote letter from you so that [Client G] can meet the terms of the insurance requirement.

Zurich US and CNA complied with the requests, submitting the bids sought by Willis, without performing any underwriting work.

11. In addition to participating in bid manipulation schemes, certain insurance subsidiaries of ZFS also used non-traditional and finite reinsurance to enhance the earnings of ZFS and/or its subsidiaries and/or its clients. In 1998, Zurich Reinsurance (North America) Inc. ("Zurich Re"), at the time a subsidiary of ZFS, was approached by MBIA, Inc. ("MBIA") and asked to provide insurance coverage for an anticipated \$70 million dollar loss that MBIA wanted to offset on its books. MBIA proposed that Zurich Re provide MBIA with a \$70 million loss contract that would carry a nominal premium. In exchange for taking this loss, Zurich Re would receive a separate insurance contract calculated to compensate Zurich Re for the amount it had lost under the original contract and provide a profit. Zurich Re accepted the arrangement on the condition that its losses be capped, so that it would not lose money on the deal. MBIA's auditor refused to sign off on the deal because of the cap on losses. Instead of abandoning the deal, Zurich Re and MBIA entered into a new agreement involving two other insurance companies and a series of reinsurance contracts that obscured the lack of risk transfer in the deal and the cap on Zurich Re's losses.

12. Certain insurance subsidiaries of ZFS also used non-traditional reinsurance to

bolster ZFS's own results. In a series of transactions from 1999 to 2001, where legitimate reinsurance was unavailable, these ZFS subsidiaries, in order to decrease their reserves and to accelerate their profits, reported that they had obtained reinsurance on unprofitable books of business. In reality, they had obtained no such coverage. Instead, they had paid small fees to various off-shore reinsurance companies to issue reinsurance contracts while simultaneously, through separate contracts, returning the coverage to another ZFS insurance subsidiary. By using the off-shore companies and different divisions of ZFS, these ZFS subsidiaries were able to avoid reporting these circular transactions to their auditors and regulators and improperly bolster ZFS's earnings.³

13. Based on these allegations, the Attorneys General and the Superintendent allege that Zurich US and ZFS unlawfully deceived policyholders, regulators and other authorities and shareholders by: (a) participating in schemes to steer business; (b) participating in rigging of bids for excess casualty insurance through Marsh; and (c) improperly using insurance transactions to bolster the quality, quantity and stability of their clients' and ZFS's earnings;

14. Zurich US and ZFS have been and are continuing to cooperate with the Attorneys General Investigations and the Superintendent's Investigation;

15. In the wake of the issuance of the subpoenas and the Attorneys General Investigations and the Superintendent's Investigation, Zurich US and ZFS have adopted and under this Assurance of Discontinuance and Voluntary Compliance (the "Assurance") and

³ Zurich was able to accelerate its profit from these circular transactions by reducing the reserves (which count as a liability) it had established to pay for losses on the policies.

corresponding Stipulation with the Superintendent, will continue to implement a number of business reforms governing the conduct of employees of ZFS and Zurich US.

16. By entering into this Assurance, the Attorneys General resolve all issues uncovered to date (with the exception of those areas noted below) in the Attorneys General Investigations.

17. The Attorneys General find the relief and agreements contained in this Assurance appropriate and in the public interest. The Attorney General of New York is willing to accept this Assurance pursuant to Executive Law § 63(15), in lieu of commencing a statutory proceeding. The Attorney General of Connecticut is willing to accept the Assurance in lieu of commencing a statutory proceeding under Conn. Gen. Stat. §§ 35-32, 42-110m and 33-1335. The Attorney General of Illinois is willing to accept the Assurance in lieu of commencing a statutory proceeding under 740 ILCS 10/1 et seq. and 815 ILCS 505/1 et seq.

18. The Superintendent, Zurich Holding and ZAIC will, simultaneously with the signing of the Assurance, enter into a Stipulation to resolve all issues uncovered to date in the Superintendent's Investigation but not including any issues in the Superintendent's current examination of ZAIC, including the Superintendent's review of the commutation of certain reinsurance contracts with Hannover Re and Swiss Re.

19. This Assurance is entered into solely for the purpose of resolving the Attorneys General Investigations, and is not intended to be used for any other purpose.

20. Without admitting or denying any of the above allegations, Zurich Holding and ZAIC are entering into this Assurance and the Stipulation.

21. Nothing herein shall be construed to apply to any business or operations involving group and individual: (1) fixed and variable life insurance, (2) fixed and variable, immediate and deferred annuities, (3) accidental death and dismemberment insurance, (4) short and long term disability insurance, (5) long term care insurance, (6) accident and health insurance, including vision and dental insurance, (7) credit insurance, (8) involuntary unemployment insurance, (9) guaranteed investment contracts, and (10) funding agreements (collectively "ZFS's Life Insurance Operations").

NOW THEREFORE, the Attorneys General, Zurich Holding and ZAIC hereby enter into this Assurance with a statement of apology attached as Exhibit 1, and agree as follows:

Bid Rigging – Excess Casualty Policyholders

1. On or before May 8, 2006, Zurich Holding shall pay, or cause any affiliate of Zurich Holding other than ZAIC or any of ZAIC's subsidiaries to pay (provided, Zurich Holding may cause ZAIC or such ZAIC subsidiary to make such payment if Zurich Holding contributes to ZAIC or such subsidiary funds in the amount of such payment) \$88 million into a fund (the "Excess Casualty Fund") held by Zurich US to be paid to Zurich US's policyholders who purchased or renewed Zurich US's Excess Casualty policies, excluding Excess Workers Compensation policies, through Marsh during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policyholders"). All of the money paid into the Excess Casualty Fund and any investment or interest income earned thereon shall be paid to Eligible Policyholders pursuant to this Assurance. No portion of the Excess Casualty Fund shall be considered a fine or a penalty.

2. The creation and funding of the Excess Casualty Fund shall not be used as a set-off or credit against any obligation or payment in any other agreement or settlement, including but not limited to the Settlement Agreement with Offices of the Attorneys General dated March 20, 2006, attached as Exhibit 2 (the "March 20th Agreement"), regardless of ZFS or Zurich US's entitlement under any other agreement or settlement to do so. Zurich US commits that neither Zurich US nor any ZFS related entity will seek or accept any "Settlement Credit" or other reduction of the "Additional Settlement Amount" as those terms are defined in the March 20th Agreement.

3. The Excess Casualty Fund shall be invested in a designated money market fund subject to the prior approval of the Attorneys General and the Superintendent.

4. Zurich US shall (a) by July 10, 2006 calculate the amount of money each of the Eligible Policyholders paid for excess casualty insurance placed through Marsh with inception or renewal dates during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policies"); (b) within ten days of completing these calculations, file a report with the Attorneys General and the Superintendent, certified by an officer of Zurich Holding, setting forth: (i) each Eligible Policyholder's name and address; (ii) the Eligible Policyholder's Eligible Policy(ies) purchased or renewed and policy number(s); (iii) the amount the Eligible Policyholder paid in premiums for each such policy; and (iv) the amount each policyholder is eligible to receive which shall equal each policyholder's pro rata share of the Excess Casualty Fund as calculated by multiplying the amount in the Excess Casualty Fund by the ratio of the policyholder's gross written premium for Eligible Policies for the period from January 1, 2000 through September 30,

2004, divided by the total gross written premium for all Eligible Policies; and (c) by July 24, 2006, send a notice to each Eligible Policyholder, setting forth items (ii) through (iv), above, and stating that the amount paid may increase if there is less than full participation by Eligible Policyholders in the Excess Casualty Fund (the "Excess Notice"). The form of the Excess Notice shall be subject to the prior approval of the Attorneys General and Superintendent.

5. Eligible Policyholders who receive an Excess Notice and who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 3 on or before December 27, 2006.

6. On or before February 7, 2007, Zurich Holding shall pay, or cause any affiliate of Zurich Holding other than ZAIC or any of ZAIC's subsidiaries to pay (provided, Zurich Holding may cause ZAIC or such ZAIC subsidiary to make such payment if Zurich Holding contributes to ZAIC or such subsidiary funds in the amount of such payment) each Participating Policyholder the amount that that Participating Policyholder is eligible to receive from the Excess Casualty Fund as set forth in paragraph 4(b)(iv) above, and any interest or investment income earned thereon.

7. On or before March 7, 2007, Zurich US shall file an interim report with the Attorneys General and the Superintendent, certified by an officer of Zurich Holding, listing all amounts paid from the Excess Casualty Fund.

8. In the event that any Eligible Policyholder elects not to participate or otherwise does not respond to the Excess Notice (the "Non-Participating Policyholders"), the amount that such policyholder was eligible to receive from the Excess Casualty Fund as set forth in paragraph

4(b)(iv) may be used by Zurich US to satisfy any pending or other claims asserted by policyholders relating to the excess casualty bid rigging or excess casualty steering allegations set forth in this Assurance, provided that in no event shall a distribution be made from the Excess Casualty Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount set forth in paragraph 4(b)(iv) above, and any interest or investment income earned thereon; also provided that in no event shall a distribution be made from the Excess Casualty Fund as a "Spillover Amount" pursuant to the March 20th Agreement, nor shall the total payments from the Excess Casualty Fund to any Non-Participating Policyholder exceed 80% of the amount that Non-Participating Policyholder was originally eligible to receive as set forth in paragraph 4(b)(iv).

9. If any money remains in the Excess Casualty Fund as of December 8, 2007 any such funds shall be distributed by January 8, 2008 on a pro rata basis to the Participating Policyholders.

10. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

11. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of commissions, administrative or other fees to ZFS or Zurich US.

12. On or before January 21, 2008, Zurich Holding shall file a report with the

Attorneys General and the Superintendent, certified by an officer of Zurich Holding, listing all amounts paid from the Excess Casualty Fund, including any payments subsequent to the payments described in paragraph 7.

MONETARY FINE, PENALTY AND PAYMENT

13. On or before May 8, 2006 Zurich US commits that Zurich Holding shall pay, or cause any affiliate of Zurich Holding other than ZAIC or any of ZAIC's subsidiaries to pay (provided, Zurich Holding may cause ZAIC or such ZAIC subsidiary to make such payment if Zurich Holding contributes to ZAIC or such subsidiary funds in the amount of such payment) \$65 million as a fine or penalty of which a \$39 million fine will be paid by wire transfer to the State of New York, a \$13 million payment will be made in accordance with 815 ILCS 505/7(d) by wire transfer to the State of Illinois and a \$13 million penalty will be paid by wire transfer to the State of Connecticut. Each Attorney General and the Superintendent shall provide issuing instructions with respect to the payments. These fines and penalties are imposed for all of the improper conduct described in this Assurance and the Stipulation.

BUSINESS REFORMS

14. Within 60 days of the date of this Assurance (or such other date as specified below), Zurich US shall undertake the following business reforms. Zurich US will not undertake any transaction for the purpose of circumventing the prohibitions contained in this Assurance.

15. For purposes of this Assurance, Compensation shall mean anything of material value given to a Producer including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses,

provided that Compensation shall not mean customary, non-excessive meals and entertainment expenses. Zurich US shall develop and implement policies for its employees explaining the provisions of this paragraph as part of the standards described in paragraph 28 below. Prior to September 8, 2006, Zurich US shall submit to the Attorneys General and the Superintendent a draft of the intended policies.

16. For purposes of this Assurance, Contingent Compensation is any Compensation contingent upon any Producer: (a) placing a particular number of policies or dollar value of premium with Zurich US; (b) achieving a particular level of growth in the number of policies placed or dollar value of premium with Zurich US; (c) meeting a particular rate of retention or renewal of policies in force with Zurich US; (d) placing or keeping sufficient insurance business with Zurich US to achieve a particular loss ratio or any other measure of profitability; (e) providing preferential treatment to Zurich US in the placement process, including but not limited to giving Zurich US last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements; or (f) obtaining anything else of material value for Zurich US. This definition does not include Compensation paid to employees of Zurich US or to their Producers that are captive or are exclusive to Zurich US with respect to a specific line or product that is clearly and conspicuously identified in marketing materials as Zurich US's line or product.

17. **Compensation Disclosure.** Beginning six months from the date of this Assurance, Zurich US's offices, situated and issuing insurance policies in the United States or its territories, shall send a notice accompanying the insured's policy, stating that the insured can

review and obtain information relating to Zurich US's practices and policies regarding Compensation on either a website or from a toll-free telephone number. The information on the website or available through the toll-free number shall be sufficient to inform insureds of the nature and range of Compensation, by insurance product, paid by Zurich US. No later than four months from the date of this Assurance, Zurich US shall submit to the Attorneys General the proposed format and content of the notice, website and the information available via the toll-free telephone number described in this paragraph. The form and content of the notice, website and information available via the toll-free telephone number shall be subject to the prior approval of the Attorneys General. Zurich US shall commence posting the website and operation of the toll-free telephone number no later than six months after the date of this Assurance.

18. **Prohibition on Contingent Compensation for Excess Casualty.** During the period of 2006 through and including 2008, Zurich US's offices situated and issuing policies in the United States shall not pay any Producer Contingent Compensation relating to the placement of any excess casualty insurance policy. In addition, Zurich US commits that ZFS's insurance subsidiaries in which ZFS has a controlling ownership interest ("ZFS insurance subsidiaries"), who maintain offices situated and issuing policies outside the United States shall not pay any Producer Contingent Compensation relating to the placement of any excess casualty insurance policy issued or renewed to any insured domiciled in the United States, which policy is principally associated with covering property or operations situated in the United States. Subsequent to 2008, excess casualty insurance shall be subject to the provisions of paragraph 24.

ZFS has confirmed its obligation to conform with this and other provisions in this Assurance and the Stipulation in a letter, attached as Exhibit 4, dated March 24, 2006.

19. Zurich US commits that ZFS's insurance subsidiaries shall undertake the business reforms set forth in paragraphs 20-26 for any offices situated and issuing policies in the United States.

20. Except as set forth in paragraphs 24-26 below, in connection with its issuance, renewal or servicing of insurance policies through a Producer, Zurich US shall pay as Compensation only a specific dollar amount or percentage commission on the premium set at the time of each purchase, renewal, placement or servicing of a particular insurance policy.

21. **Prohibition on Pay-to-Play.** Zurich US shall not offer to pay or pay, directly or indirectly, any Producer any Compensation in connection with the Producer's solicitation of bids for the Producer's clients.

22. **Prohibition on Bid Rigging.** Zurich US shall not directly or indirectly knowingly offer or provide to any Producer any false, fictitious, artificial, 'B' or "throw away" quote or indication. Nothing herein shall preclude Zurich US from offering to provide or providing any bona fide quote or indication.

23. **Prohibition on Leveraging.** Zurich US shall not make any promise or commitment to use any Producer's brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in paragraph 16 (a) - (f) above.

24. **Additional Limitations on Contingent Compensation.** Within 30 days of

receipt of a notice from any of the Attorneys General that the Attorneys General have made a determination, based on market share information available from the National Association of Insurance Commissioners (“NAIC”) or A.M. Best Company (or another agreed upon third-party source of market share data if such data is not available from NAIC or A.M. Best for a given insurance line (or product/segment)), that (a) insurers who do not pay Contingent Compensation in a given insurance line (or product/segment) including but not limited to direct writers and insurers that employ only captive agents in the given insurance line (or product/segment) and (b) insurers who have signed Agreements or Assurances with the Attorney General of New York or agreements with other Attorneys General containing this paragraph as applied to them, together represent more than 65% of the national gross written premiums in the given insurance line (or product/segment) in the calendar year for which market share data is most recently available (the “Notice”), Zurich US shall stop paying Contingent Compensation for such insurance line (or product/segment) beginning on January 1 of the next calendar year following the date of the Notice. If, in any given calendar year after the date of the Notice described above, the market share used in the Notice falls below 60%, Zurich US shall notify the Attorneys General of the change. If, within 60 days, the Attorneys General do not object to Zurich US’s determination that the market share used in the Notice is below 60%, any prohibition on Contingent Compensation described in the Notice shall cease. If any of the Attorneys General do object to Zurich US’s determination, the Attorneys General shall set forth the reasons for such objections in a written notice to Zurich US within 60 days of Zurich US’s notification to the Attorneys General. Resort to court action to resolve a dispute related to the determination of market share

or the determination that a given insurer does not pay Contingent Compensation under this paragraph shall not be deemed a violation of this Assurance.

25. Except as provided in paragraph 18, in any insurance line or product in which Zurich US paid Contingent Compensation for the 2004 calendar year or any part thereof, Zurich US may continue to pay Contingent Compensation until the receipt of a Notice from the Attorneys General that the conditions described in paragraph 24 above have been met. Following receipt of a Notice, Zurich US may continue to pay any Contingent Compensation accrued or accruing until the end of the calendar year. In no event shall any provisions in paragraphs 24, 25 and 26 be construed to require Zurich US to take any action that would cause Zurich US to be in breach of an agreement that is in force as of the date of this Assurance.

26. Zurich US agrees not to commence the paying of Contingent Compensation in any insurance line (or product/segment) in which it did not pay Contingent Compensation for the 2004 calendar year or any part thereof and where the Attorneys General have sent a Notice pursuant to paragraph 24 above. In the event that Zurich US intends to enter into any agreement potentially obligating it to make Contingent Compensation payments for any insurance line (or product/segment) in which it did not pay Contingent Compensation for the 2004 calendar year or any part thereof, Zurich US agrees to give the Attorneys General written notice and a copy of the intended agreement at least 60 days prior to the execution of any such agreement.

27. **Controls on Finite and Non-traditional Reinsurance.** Zurich US commits that ZFS and its insurance subsidiaries will enact policies and procedures satisfactory to the Attorneys General and the Superintendent to prevent transactions designed solely to manipulate

accounting results, transactions involving insufficient risk transfer created for purposes of improperly qualifying such transactions for reinsurance accounting, and transactions that contain undisclosed side agreements.

28. **Standards of Conduct and Training.** Zurich US shall implement written standards of conduct regarding Compensation paid to Producers, consistent with the terms of this Assurance, subject to approval of the Attorneys General and Superintendent, which implementation shall include, *inter alia*, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, anti-trust and trade practices compliance, and record keeping. Zurich US commits that ZFS's insurance subsidiaries doing business outside of the United States directly or through professional intermediaries, with United States resident insureds for policies principally associated with property or operations situated in the United States, will conform their conduct to the requirements of the Assurance and Stipulation.

29. Zurich US agrees to support legislation and regulations in the United States to abolish Contingent Compensation for insurance products or lines. Zurich US further agrees to support legislation and regulations in the United States requiring greater disclosure of Compensation.

30. Zurich US commits that ZFS and its subsidiaries shall not engage or attempt to engage in violations of New York State Executive Law § 63(12), New York State's Donnelly Act (Gen. Bus. Law § 340 et seq.), New York State's Martin Act (Gen. Bus. Law § 352-c), New York Insurance Law, Conn. Gen. Stat. §§ 35-24 et seq., 42-110a et seq. and 33-1335

and the Illinois Antitrust Act, 740 ILCS 10/1 et seq. and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq.

REINSURANCE REPORTING OBLIGATIONS

31. For a period of five years beginning July 8, 2006, Zurich US commits that ZFS will provide annually by May 1 of each year to the Superintendent a report, in a format approved by the Superintendent, that includes:

- a. A review of ceded and assumed reinsurance of the property/casualty insurance subsidiaries of ZFS required to file statutory financial statements on the NAIC blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of ZFS's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:
 - i. Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract,

other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;

- ii. For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;
 - iii. The reporting entity complies with all the requirements set forth in SSAP 62 and 75, and any supporting documentation is available for review;
 - iv. The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.
- b. A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Insurance Law. The list shall include the percentage of ownership or other means by which ZFS controls the affiliated insurer.
 - c. A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.

- d. A list of non-affiliated insurers to whom ZFS Property/Casualty Insurers have ceded business during the preceding calendar year either directly, or through retrocession agreements if known, excluding those captive reinsurance entities that do not accept third party business, where the business ceded represents fifty percent or more of the entire direct and assumed premium written by insurer, based upon such insurer's most recent publicly available financial statements.

Such report shall be certified by the Chief Reinsurance Officer and the Chief Executive Officer of ZFS, Zurich Holding and ZAIC and a copy of such report shall be submitted to the relevant Audit Committee of ZFS, Zurich Holding and ZAIC.

32. The Chief Reinsurance Officers of ZFS, Zurich Holding and ZAIC will maintain approved lists of reinsurers. Zurich US will not cede insurance to any reinsurer not set forth on those lists. Such lists will be available to the Superintendent upon examination. All approved reinsurance relationships will be reviewed by the Chief Reinsurance Officer of ZFS, Zurich Holding and ZAIC and such review will include a written determination of whether the reinsurance entity is affiliated or controlled (by ownership, by contract or otherwise) by ZFS or Zurich US.

33. **Additional Undertakings.**

- a. Zurich US agrees that it will establish and maintain a training and education program, completion of which will be required for all officers, executives, and employees of ZFS and Zurich US who have supervisory

responsibility over accounting, financial reporting and public disclosure functions relating to the United States (collectively, the “Mandatory Participants”).

- b. The training and education program shall be designed to cover, at a minimum, the following: (i) the obligations imposed by federal and state securities law, including ZFS and Zurich US’s financial reporting and disclosure obligations; (ii) the financial reporting and disclosure obligations imposed on ZFS and its subsidiaries by New York State, Illinois and Connecticut insurance laws; (iii) compliance with federal and state anti-trust laws; (iv) proper internal accounting controls and procedures; (v) discovering and recognizing accounting practices that do not conform to GAAP or SSAP or that are otherwise improper; and (vi) the obligations assumed by, and responses expected of the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to ZFS and Zurich US’s accounting and financial reporting. The General Counsel of ZFS shall communicate to Mandatory Participants, in writing or by video, its endorsement of the training and education program.

COOPERATION WITH THE SUPERINTENDENT

34. Zurich US commits that ZFS and its insurance subsidiaries will maintain and

provide to the Superintendent, upon the Superintendent's request, complete underwriting files, including correspondence and e-mails, and risk transfer analysis to the extent required by SSAP 62 relating to all reinsurance ceded or assumed by ZFS and Zurich US. Zurich US commits that ZFS and its insurance subsidiaries will authorize their independent auditors and direct their internal auditors to make available to the Superintendent upon request all workpapers of their auditors, including but not limited to all Schedules of Unadjusted Differences.

35. Zurich US commits that ZFS and its insurance subsidiaries will file all holding company transactions in a timely manner in compliance with Article 15 of the New York Insurance Law and Department Regulation 52 and such other procedures that ZFS or ZFS's insurance subsidiaries and the Superintendent may agree to from time to time.

36. Zurich US commits that ZFS and its insurance subsidiaries will cooperate fully on all examinations and on all other regulatory requests and will respond to all Department inquiries in a prompt, timely and complete manner, subject to applicable laws, and will provide appropriate staff during examinations in order to provide timely responses. Failure to respond to the Department in a timely manner, as required by this paragraph, will constitute violations of this Assurance and the Insurance Law. Any issues that relate to the timeliness of the responses shall be reported to the Chief Financial Officer of Zurich Holding.

37. Zurich US commits that the Chair of the Audit Committee of ZFS and any of its insurance subsidiaries, if requested, will meet with the Superintendent and/or a designated official of the Superintendent on an annual basis or more frequently as deemed necessary by the Superintendent.

COOPERATION WITH THE ATTORNEYS GENERAL

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

document is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Zurich US indicating: (i) the type of document; (ii) the date of the document; (iii) the author and 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. Any of the Attorneys General may challenge such claim in any forum of their choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by ZFS and its insurance subsidiaries, their officers, directors, employees, or agents; and (e) ZFS and its insurance subsidiaries shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the relevant Attorney General. Nothing herein shall prevent ZFS and its insurance subsidiaries from providing such evidence to other regulators, or as otherwise required by law.

39. Zurich US shall comply fully with the terms of this Assurance. If Zurich US violates the terms of paragraph 38 in any material respect, as determined solely by any of the Attorney Generals: (a) each of the Attorney Generals may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (b) as to any criminal prosecution brought by the New York or Illinois Attorneys General for violation of law committed within six years prior to the date of this Assurance or for any violation committed on or after the date of this Assurance, Zurich US shall waive any claim that such

prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

OTHER PROVISIONS

40. Zurich US commits that ZFS and ZFS's insurance subsidiaries shall implement procedures and controls designed to provide full and complete disclosure to state insurance regulators.

41. Zurich US commits that neither Zurich US nor ZFS shall 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 Assurance.

42. None of the provisions of this Assurance shall apply to ZFS's Life Insurance Operations, Farmers Insurance Exchange, Truck Insurance Exchange, Fire Insurance Exchange and their respective subsidiaries.

43. The Attorneys General agree that any prior approval required under the terms of this Assurance shall not be unreasonably withheld.

44. This Assurance is not intended to disqualify Zurich US, its subsidiaries, or any of their current employees from engaging in any business in New York, Illinois, Connecticut or in any other jurisdiction. Nothing in this Assurance shall relieve Zurich US or its subsidiaries of obligations imposed by any applicable state insurance law or regulations or other applicable law.

45. This Assurance shall not confer any rights upon any persons or entities besides the Attorneys General, ZFS, Zurich Holding and their insurance subsidiaries.

46. Zurich US shall maintain custody of, or make arrangements to have maintained, all documents and records related to this matter for a period of not less than six years.

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

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

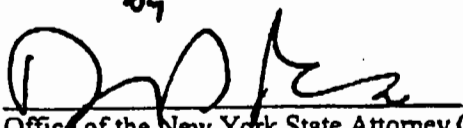
49. Facsimile transmission of a copy of this Assurance to counsel for Zurich US shall be good and sufficient service on Zurich US.

50. This Assurance shall be governed by the laws of the State of New York without regard to conflict of laws principles, except that with respect to enforcement actions taken by the Connecticut Attorney General or the Illinois Attorney General. Those actions will be governed by the laws of the state of the Attorney General bringing the action without regard to choice of law principles.

51. This Assurance may be executed in counterparts.

Executed this 24th day of March, 2006.

ELIOT SPITZER
Attorney General of the State of New York

^{by}


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

LISA MADIGAN
Attorney General of Illinois

Office of the Attorney General
State of Illinois
100 W. Randolph Street, 12th Floor
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RICHARD BLUMENTHAL
Attorney General of the State of Connecticut

Office of the Connecticut Attorney General
55 Elm Street
Hartford, Connecticut 06141-0120

Executed this 27th day of March, 2006.

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Attorneys for Zurich Holding Company of America, Inc.
and Zurich American Insurance Company, Inc.

EXHIBIT 1

APOLOGY

"Zurich apologizes for the conduct that resulted in today's settlements. Zurich recognizes that certain of its employees violated both acceptable business practices and Zurich's own standards of conduct by engaging in improper bidding practices and the "finite reinsurance" transactions described in the Assurance of Discontinuance. Zurich is aggressively tightening its business controls to make certain that this type of conduct does not occur again.

As part of Zurich's larger effort to promote transparency and a "level playing field" in the insurance industry, Zurich has agreed to support legislation in the U.S. to eliminate contingent compensation paid to brokers and agents."

EXHIBIT 2

**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
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Chief Financial Officer of the State of Florida
c/o Dennis Silverman
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Harrisburg, PA 17120
Telephone: (717) 705-2523
Facsimile: (717) 705-7110

If to the Zurich Insurers:

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Stephen A. Best, Esq.
Ann M. Ashton, Esq.
David S. Turetsky, Esq.
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Telephone: (202) 986-8000
Facsimile: (202) 986-8102

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

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.

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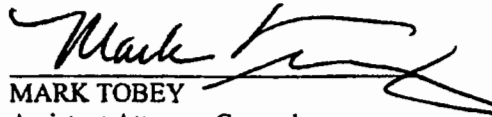
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COMPANY, AMERICAN GUARANTEE
& LIABILITY INSURANCE COMPANY,
EMPIRE INDEMNITY INSURANCE
COMPANY, AND ASSURANCE
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Executed this 17th day of March, 2006

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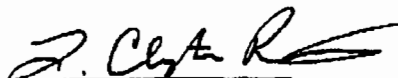
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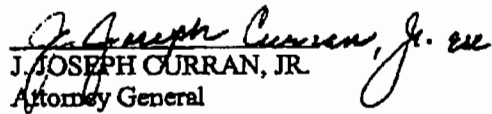
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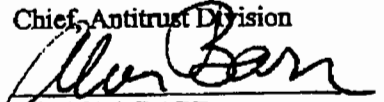


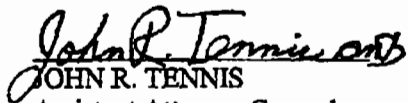
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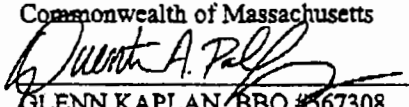
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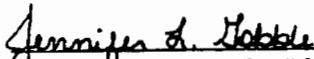
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Attorney General
By Counsel,

JILL L. MILES
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DOUGLAS L. DAVIS
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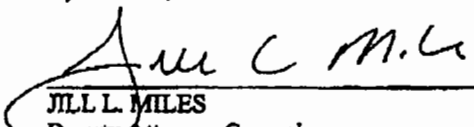
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DOUGLAS L. DAVIS
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Consumer Protection and Antitrust Division
P.O. Box 1789
Charleston, WV 25326

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

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

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.

c. 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.

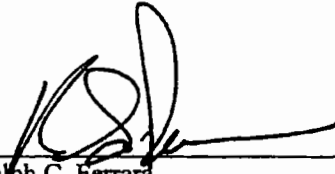
K. This MOU shall be deemed to be executed on the date by which all of the Settling Parties have executed it.

Executed this 14th day of October, 2005.

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

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

On Behalf of Plaintiffs



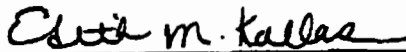
Ralph C. Ferrara
LeBoeuf, Lamb, Greene & MacRae, LLP
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, D.C. 20009

On Behalf of the Zurich Defendants

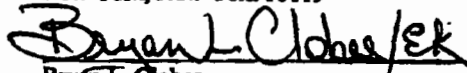
K. This MOU shall be deemed to be executed on the date by which all of the

Sending Parties have executed it.

Executed this 14th day of October, 2005.

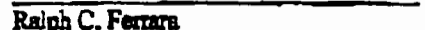


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Miller Faucher and Cafferty LLP
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18th and Cherry Streets
Philadelphia, Pennsylvania 19103

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**

STATE	AUTHORITY
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)

EXHIBIT 3

RELEASE

This RELEASE (the "Release") is executed this ___ day of _____, 2006 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

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

"RELEASEE" refers to Zurich Financial Services, Zurich Holding Company of America Inc. and Zurich American Insurance Company and any of their subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Zurich").

"ASSURANCE" refers to an Assurance of Discontinuance and Voluntary Compliance between Zurich US and the Attorney General of the State of New York, the Attorney General of the State of Illinois and the Attorney General of the State of Connecticut (collectively "Attorneys General") dated March 27, 2006 and an accompanying stipulation between Zurich and the Superintendent of Insurance of the State of New York ("NYSI") dated March 27, 2006, relating to (I) investigation by each of the Attorneys General and NYSI related to Zurich's alleged use of contingent commission agreements or placement service agreements to steer business; and (ii) investigations by each of the Attorneys General and NYSI related to Zurich's alleged participation in bid rigging schemes.

RELEASE

1. In consideration for the total payment of \$ _____ in accordance with the terms of the ASSURANCE, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, (i) any of the allegations, acts, omissions, transactions, events, types of conduct or matters described in the ASSURANCE, or were subject to investigation by any of the Attorneys General and NYSI as referenced in the ASSURANCE; (ii) any allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of In re Insurance Brokerage Antitrust Litigation, MDL No. 1663, or the actions pending in the United States District Court for the District of New Jersey captioned In re: Insurance Brokerage Antitrust Litigation, Civ. No. 04-

5184 (FSH), and In re Employee Benefit Insurance Brokerage Antitrust Litigation, Civ. No. 05-1079 (FSH) or any related actions filed or transferred to the United States District Court for the District of New Jersey that are consolidated into either of the preceding Civil Action dockets; or (iii) any allegations of bid-rigging or of the use of contingent commission agreements or placement service agreements to steer business arising from acts or conduct on or before the date of the ASSURANCE; provided, however, that RELEASOR does not hereby release, waive, or discharge RELEASEE from any claims that are based upon, arise out of or relate to (a) the purchase or sale of Zurich's securities; and (b) Zurich's Life Insurance Operations (as defined by the Assurance to which this Release is an exhibit); (c) Farmers Insurance Exchange, Truck Insurance Exchange, Fire Insurance Exchange and their respective subsidiaries..

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

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

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

Dated:

RELEASOR:

By:

Print Name:

Title:

EXHIBIT 4



ZURICH
FINANCIAL SERVICES

March 24, 2006

David Brown, Esq.
Chief, Investment Protection Bureau
New York Attorney General's Office
120 Broadway
New York, NY 10271

The Honorable Howard Mills
Superintendent of Insurance
State of New York
25 Beaver Street
New York, NY 10004

Dear Mr. Brown and Superintendent Mills:

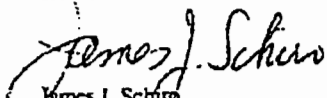
On March 24, 2006, Zurich Holding Company of America, Inc. ("Zurich Holding") and Zurich American Insurance Company ("ZAIC" and, together with Zurich Holding and ZFS's insurance subsidiaries, in which ZFS has a controlling interest, doing business in the United States and its territories, "Zurich US") entered into an Assurance of Discontinuance with the Attorney General of the State of New York, the Attorney General of Illinois and the Attorney General of the State of Connecticut (collectively, the "Attorneys General") and, on the same day, entered into a Stipulation with the Superintendent of Insurance of the State of New York (the "Superintendent"), in each instance relating to the practices of Zurich US in the marketing, sale, renewal, placement or servicing of insurance for their policyholders and their accounting and public reporting practices, including those relating to non-traditional and finite insurance and finite reinsurance. In the Assurance of Discontinuance and the Stipulation, detailed requirements are imposed on Zurich US's future business activities and conduct.

ZFS is the ultimate parent holding company of Zurich Holding and ZAIC. ZFS has reviewed the provisions and requirements of the Assurance of Discontinuance and the Stipulation and acknowledges the obligations they impose on Zurich US. ZFS supports and approves of Zurich Holding and ZAIC entering into the Assurance of Discontinuance and the Stipulation, and ZFS will cooperate with, assist and support Zurich US in meeting all obligations they impose on Zurich US. In addition, ZFS commits that ZFS and its affiliated entities doing business outside of the United States will conform their conduct to the requirements of the Assurance of Discontinuance and the Stipulation when engaging in insurance transactions, directly or through professional intermediaries, with United States resident insureds for policies principally associated with property or operations situated in the United States.

ZFS understands and agrees that its willingness to provide this letter is a material element in the Attorneys General and Superintendent's respective decisions to enter into the Assurance of Discontinuance and the Stipulation.

ZFS makes these commitments without prejudice to its legal position respecting the exercise of jurisdiction of United States federal and state governmental and judicial authorities over its activities.

Sincerely,
Zorich Financial Services


James J. Schiro
Chief Executive Officer


Dr. Monica Mächler-Erne
General Counsel

cc: Richard Blumenthal
Attorney General
State of Connecticut

Lisa Madigan
Attorney General
State of Illinois



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

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In the Matter of

ZURICH AMERICAN INSURANCE COMPANY,
ZURICH HOLDING COMPANY OF AMERICA, INC.
and its insurer subsidiaries and affiliates authorized to
transact insurance business in the State of New York,

STIPULATION
No. 2006-0088-S

Respondents.

-----X

WHEREAS, Respondent Zurich American Insurance Company is a domestic insurance company authorized to transact insurance business in the State of New York and Respondent Zurich Holding Company of America, Inc. is a Delaware corporation with its principal place of business in Schaumburg, Illinois, and is a holding company within the meaning of Article 15 of the New York Insurance Law ("Insurance Law") which owns, controls or is affiliated with the following insurers authorized to transact insurance business in the State of New York: American Guarantee and Liability Insurance Company, American Zurich Insurance Company, Assurance Company of America, Centre Insurance Company, Centre Life Insurance Company, Colonial American Casualty and Surety Company, Constellation Reinsurance Company, Empire Fire and Marine Insurance Company, Fidelity and Deposit Company of Maryland, Maryland Casualty Company, Northern Insurance Company of New York, Universal Underwriters Insurance Company, Valiant Insurance Company, and Zurich American Insurance Company;

WHEREAS, pursuant to the provisions of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 *et seq.*), the Martin Act (Gen. Bus. Law § 352-c) and the common law of the State of New York, Eliot Spitzer, Attorney General of the State of New York caused an investigation to be made of Zurich Financial Services, a Swiss company ("ZFS") Zurich Holding Company of America, Inc. ("Zurich Holding") and their insurance subsidiaries including but not limited to Zurich American Insurance Company ("ZAIC"), relating to practices in the marketing, sale, renewal, placement or servicing of insurance and reinsurance and their accounting and public reporting practices, including those relating to nontraditional and finite insurance and reinsurance (the "Investigation"); and pursuant to Conn. Gen. Stat. § 35-24 et seq. (the Connecticut Antitrust Act) and Conn. Gen. Stat. § 42-110a et

seq. (the Connecticut Unfair Trade Practice Act), Richard Blumenthal, Attorney General of the State of Connecticut, caused an investigation to be made of ZFS, Zurich Holding and their insurance subsidiaries on the subject matter of the Investigation; and pursuant to the Illinois Antitrust Act, 740 ILCS 10/1 et seq. and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq. Lisa Madigan, Attorney General of the State of Illinois, caused an investigation to be made of ZFS, Zurich Holding and their insurance subsidiaries on the subject matter of the Investigation (collectively "Attorneys General Investigations");

WHEREAS, the Superintendent of Insurance of the State of New York ("Superintendent") and the New York State Insurance Department ("Department") conducted an investigation of ZFS, Zurich Holding and their insurance subsidiaries on the subject matter of the Investigation (the "Superintendent's Investigation");

WHEREAS, the Attorneys General and the Superintendent allege that Zurich US (defined herein as Zurich Holding, and ZFS's insurance subsidiaries, in which ZFS has a controlling interest, doing business in the United States and its territories, including but not limited to ZAIC and its respective subsidiaries) and ZFS unlawfully deceived policyholders, regulators and other authorities and shareholders by: (a) participating in schemes to steer business; (b) participating in rigging of bids for excess casualty insurance through Marsh & McLennan Companies, Inc. ("Marsh"); and (c) improperly using insurance transactions to bolster the quality, quantity and stability of their clients and ZFS's earnings;

WHEREAS, Zurich US and ZFS have been and are continuing to cooperate with the Attorneys General Investigations and the Superintendent's Investigation;

WHEREAS, the Attorneys General have resolved all issues uncovered to date (with the exception of those areas noted below) in the Attorneys General Investigations pursuant to an Assurance of Discontinuance and Voluntary Compliance dated March 24, 2006 (the "Assurance");

WHEREAS, in the wake of the Attorneys General Investigations and the Superintendent's Investigation, and pursuant to the Assurance and this Stipulation, Zurich US and ZFS have adopted and will continue to implement a number of business reforms governing the conduct of employees of ZFS and Zurich US;

WHEREAS, nothing herein shall be construed to apply to any business or operations involving group and individual: (1) fixed and variable life insurance, (2) fixed and variable, immediate and deferred annuities, (3) accidental death and dismemberment insurance, (4) short and long term disability insurance, (5) long term care insurance, (6) accident and health insurance, including vision and dental insurance, (7) credit insurance, (8) involuntary unemployment insurance, (9) guaranteed investment contracts, and (10) funding agreements (collectively "ZFS's Life Insurance Operations");

WHEREAS, the Superintendent and the Respondents are entering into this Stipulation to resolve all issues uncovered to date in the Superintendent's Investigation but not including any issues in the Superintendent's current examination of ZAIC, including the Superintendent's review of the commutation of certain reinsurance contracts with Hannover Re and Swiss Re;

WHEREAS, ZFS has committed to the obligations identified in the Assurance and Stipulation in a letter dated March 24, 2006 to the Attorney General of New York and the Superintendent, attached hereto as Exhibit 1;

WHEREAS, the Superintendent finds the relief and agreements contained in this Stipulation appropriate and in the public interest, and accepts this Stipulation as a settlement of the Superintendent's Investigation (with the exceptions noted above);

WHEREAS, this Stipulation is entered into solely for the purpose of resolving the Superintendent's Investigation (with the exceptions noted above) and is not intended to be used for any other purpose; NOW THEREFORE

IT IS HEREBY STIPULATED AND AGREED by and between the Respondents and the Department, subject to the approval of the Superintendent, as follows:

Bid Rigging – Excess Casualty Policyholders

1. On or before May 8, 2006, Zurich Holding shall pay, or cause any affiliate of Zurich Holding other than ZAIC or any of ZAIC's subsidiaries to pay (provided, Zurich Holding may cause ZAIC or such ZAIC subsidiary to make such payment if Zurich Holding contributes to ZAIC or such subsidiary funds in the amount of such payment) \$88 million into a fund (the "Excess Casualty Fund") held by Zurich US to be paid to Zurich US's policyholders who purchased or renewed Zurich US's Excess Casualty policies, excluding Excess Workers Compensation policies, through Marsh during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policyholders"). All of the money paid into the Excess Casualty Fund and any investment or interest income earned thereon shall be paid to Eligible Policyholders pursuant to the Assurance. No portion of the Excess Casualty Fund shall be considered a fine or a penalty.

2. The creation and funding of the Excess Casualty Fund shall not be used as a set-off or credit against any obligation or payment in any other agreement or settlement, including but not limited to the Settlement Agreement with Offices of the Attorneys General dated March 20, 2006, attached as Exhibit 2 (the "March 20th Agreement"), regardless of ZFS or Zurich US's entitlement under any other agreement or settlement to do so. Zurich US commits that neither Zurich US nor

any ZFS related entity will seek or accept any "Settlement Credit" or other reduction of the "Additional Settlement Amount" as those terms are defined in the March 20th Agreement.

3. The Excess Casualty Fund shall be invested in a designated money market fund subject to the prior approval of the Attorneys General and the Superintendent.

4. Zurich US shall (a) by July 10, 2006 calculate the amount of money each of the Eligible Policyholders paid for excess casualty insurance placed through Marsh with inception or renewal dates during the period from January 1, 2000 through September 30, 2004 (the "Eligible Policies"); (b) within ten days of completing these calculations, file a report with the Attorneys General and the Superintendent, certified by an officer of Zurich Holding, setting forth: (i) each Eligible Policyholder's name and address; (ii) the Eligible Policyholder's Eligible Policy(ies) purchased or renewed and policy number(s); (iii) the amount the Eligible Policyholder paid in premiums for each such policy; and (iv) the amount each policyholder is eligible to receive which shall equal each policyholder's pro rata share of the Excess Casualty Fund as calculated by multiplying the amount in the Excess Casualty Fund by the ratio of the policyholder's gross written premium for Eligible Policies for the period from January 1, 2000 through September 30, 2004, divided by the total gross written premium for all Eligible Policies; and (c) by July 24, 2006, send a notice to each Eligible Policyholder, setting forth items (ii) through (iv), above, and stating that the amount paid may increase if there is less than full participation by Eligible Policyholders in the Excess Casualty Fund (the "Excess Notice"). The form of the Excess Notice shall be subject to the prior approval of the Attorneys General and Superintendent.

5. Eligible Policyholders who receive an Excess Notice and who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 3 on or before December 27, 2006.

6. On or before February 7, 2007, Zurich Holding shall pay, or cause any affiliate of Zurich Holding other than ZAIC or any of ZAIC's subsidiaries to pay (provided, Zurich Holding may cause ZAIC or such ZAIC subsidiary to make such payment if Zurich Holding contributes to ZAIC or such subsidiary funds in the amount of such payment) each Participating Policyholder the amount that that Participating Policyholder is eligible to receive from the Excess Casualty Fund as set forth in paragraph 4(b)(iv) above, and any interest or investment income earned thereon.

7. On or before March 7, 2007, Zurich US shall file an interim report with the Attorneys General and the Superintendent, certified by an officer of Zurich Holding, listing all amounts paid from the Excess Casualty Fund.

8. In the event that any Eligible Policyholder elects not to participate or otherwise does not respond to the Excess Notice (the "Non-Participating Policyholders"), the amount that such policyholder was eligible to receive from the Excess Casualty Fund as set forth in paragraph 4(b)(iv) may be used by Zurich US to satisfy any pending or other claims asserted by policyholders relating to the excess casualty bid rigging or excess casualty steering allegations set forth in this Assurance, provided that in no event shall a distribution be made from the Excess Casualty Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount set forth in paragraph 4(b)(iv) above, and any interest or investment income earned thereon; also provided that in no event shall a distribution be made from the Excess Casualty Fund as a "Spillover Amount" pursuant to the March 20th Agreement, nor shall the total payments from the Excess Casualty Fund to any Non-Participating Policyholder exceed 80% of the amount that Non-Participating Policyholder was originally eligible to receive as set forth in paragraph 4(b)(iv).

9. If any money remains in the Excess Casualty Fund as of December 8, 2007 any such funds shall be distributed by January 8, 2008 on a pro rata basis to the Participating Policyholders.

10. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of attorneys fees.

11. In no event shall any of the money in the Excess Casualty Fund or the investment or interest income earned thereon be used to pay or considered in the calculation of commissions, administrative or other fees to ZFS or Zurich US.

12. On or before January 21, 2008, Zurich US shall file a report with the Attorneys General and the Superintendent, certified by an officer of Zurich Holding, listing all amounts paid from the Excess Casualty Fund, including any payments subsequent to the payments described in paragraph 7.

Monetary Fine, Penalty and Payment

13. On or before May 8, 2006 Zurich US commits that Zurich Holding shall pay, or cause any affiliate of Zurich Holding other than ZAIC or any of ZAIC's subsidiaries to pay (provided, Zurich Holding may cause ZAIC or such ZAIC subsidiary to make such payment if Zurich Holding contributes to ZAIC or such subsidiary funds in the amount of such payment) \$65 million as a fine or penalty of which a \$39 million fine will be paid by wire transfer to the State of New York, a \$13 million payment will be made in accordance with 815 ILCS 505/7(d) by wire transfer to the State of Illinois and a \$13 million penalty will be paid by wire transfer to the State of Connecticut. Each Attorney General and the Superintendent shall provide issuing instructions with respect to the payments. These fines and penalties are

imposed for all of the improper conduct described in the Assurance and this Stipulation.

Business Reforms

14. **Controls on Finite and Non-traditional Reinsurance.** Zurich US commits that ZFS and its insurance subsidiaries will enact policies and procedures satisfactory to the Attorneys General and the Superintendent to prevent transactions designed solely to manipulate accounting results, transactions involving insufficient risk transfer created for purposes of improperly qualifying such transactions for reinsurance accounting as reinsurance, and transactions that contain undisclosed side agreements.

Reinsurance Reporting Obligations

15. For a period of five years beginning July 8, 2006, Zurich US commits that ZFS will provide annually by May 1 of each year to the Superintendent a report, in a format approved by the Superintendent, that includes:

- a. A review of ceded and assumed reinsurance of the property/casualty insurance subsidiaries of ZFS required to file statutory financial statements on the NAIC blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of ZFS's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:
 - i. Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;
 - ii. For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;

- iii. The reporting entity complies with all the requirements set forth in SSAP 62 and 75, and any supporting documentation is available for review;
 - iv. The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.
- b. A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Insurance Law. The list shall include the percentage of ownership or other means by which ZFS controls the affiliated insurer.
 - c. A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.
 - d. A list of non-affiliated insurers to whom ZFS Property/Casualty Insurers have ceded business during the preceding calendar year either directly, or through retrocession agreements if known, excluding those captive reinsurance entities that do not accept third party business, where the business ceded represents fifty percent or more of the entire direct and assumed premium written by insurer, based upon such insurer's most recent publicly available financial statements.

Such report shall be certified by the Chief Reinsurance Officer and the Chief Executive Officer of ZFS, Zurich Holding and ZAIC and a copy of such report shall be submitted to the relevant Audit Committee of ZFS, Zurich Holding and ZAIC.

16. The Chief Reinsurance Officers of ZFS, Zurich Holding and ZAIC will maintain approved lists of reinsurers. Zurich US will not cede insurance to any reinsurer not set forth on those lists. Such lists will be available to the Superintendent upon examination. All approved reinsurance relationships will be reviewed by the Chief Reinsurance Officer of ZFS, Zurich Holding and ZAIC and such review will include a written determination of whether the reinsurance entity is affiliated or controlled (by ownership, by contract or otherwise) by ZFS or Zurich US.

17. **Additional Undertakings.**

- a. Zurich US agrees that it will establish and maintain a training and education program, completion of which will be required for all officers, executives, and employees of ZFS and Zurich US who have supervisory responsibility over accounting, financial reporting and public disclosure functions relating to the United States (collectively, the "Mandatory Participants").

- b. The training and education program shall be designed to cover, at a minimum, the following: (i) the obligations imposed by federal and state securities law, including ZFS and Zurich US's financial reporting and disclosure obligations; (ii) the financial reporting and disclosure obligations imposed on ZFS and its subsidiaries by New York State, Illinois and Connecticut insurance laws; (iii) compliance with federal and state anti-trust laws; (iv) proper internal accounting controls and procedures; (v) discovering and recognizing accounting practices that do not conform to GAAP or SSAP or that are otherwise improper; and (vi) the obligations assumed by, and responses expected of the Mandatory Participants upon learning of improper, illegal or potentially illegal acts relating to ZFS and Zurich US's accounting and financial reporting. The General Counsel of ZFS shall communicate to Mandatory Participants, in writing or by video, its endorsement of the training and education program.

Cooperation with the Superintendent

18. Zurich US commits that ZFS and its insurance subsidiaries will maintain and provide to the Superintendent, upon the Superintendent's request, complete underwriting files, including correspondence and e-mails, and risk transfer analysis to the extent required by SSAP 62 relating to all reinsurance ceded or assumed by ZFS and Zurich US. Zurich US commits that ZFS and its insurance subsidiaries will authorize their independent auditors and direct their internal auditors to make available to the Superintendent upon request all workpapers of their auditors, including but not limited to all Schedules of Unadjusted Differences.

19. Zurich US commits that ZFS and its insurance subsidiaries will file all holding company transactions in a timely manner in compliance with Article 15 of the New York Insurance Law and Department Regulation 52 and such other procedures that ZFS or ZFS's insurance subsidiaries and the Superintendent may agree to from time to time.

20. Zurich US commits that ZFS and its insurance subsidiaries will cooperate fully on all examinations and on all other regulatory requests and will respond to all Department inquiries in a prompt, timely and complete manner subject to applicable laws and will provide appropriate staff during examinations in order to provide timely responses. Failure to respond to the Department in a timely manner, as required by this paragraph, will constitute violations of this Stipulation and the Insurance Law. Any issues that relate to the timeliness of the responses shall be reported to the Chief Financial Officer of Zurich Holding.

21. Zurich US commits that the Chair of the Audit Committee of ZFS and any of ZFS's insurance subsidiaries, if requested, will meet with the Superintendent

and/or a designated official of the Superintendent on an annual basis or more frequently as deemed necessary by the Superintendent.

Other Provisions

22. Zurich US commits that ZFS and ZFS 's insurance subsidiaries shall implement procedures and controls designed to provide full and complete disclosure to state insurance regulators.

23. Zurich US commits that neither Zurich US nor ZFS shall 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 Stipulation and Assurance.

24. None of the provisions of this Stipulation shall apply to ZFS's Life Insurance Operations, Farmers Insurance Exchange, Truck Insurance Exchange, Fire Insurance Exchange and their respective subsidiaries.

25. The Superintendent agrees that any prior approval required under the terms of this Stipulation shall not be unreasonably withheld.

26. This Stipulation is not intended to disqualify Zurich US, its subsidiaries, or any of their current employees from engaging in any business in New York, Illinois, Connecticut or in any other jurisdiction. Nothing in this Stipulation shall relieve Zurich US or its subsidiaries of obligations imposed by any applicable state insurance law or regulations or other applicable law.

27. This Stipulation shall not confer any rights upon any persons or entities besides the Superintendent, the Department and ZFS, Zurich Holding and their insurance subsidiaries.

28. Zurich US shall maintain custody of, or make arrangements to have maintained, all documents and records related to this matter for a period of not less than six years.

29. Respondents neither admit nor deny the allegations contained in the Assurance or this Stipulation.

30. This Stipulation shall in no way limit the statutory authority of the Superintendent to take regulatory action to enforce this Stipulation, or to examine, investigate and/or take regulatory action against the Respondents or any current or former licensee of the Department for any violations of the Insurance Law or Department Regulation other than the specific matters resolved by this Stipulation and the Assurance.

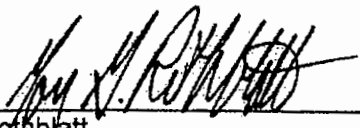
31. The monetary obligations described in paragraphs 1-13 above in this Stipulation are identical to the monetary payment obligations contained in the Assurance and, as a result, Zurich US need only make one payment with respect to each such obligation.

In the Matter of Zurich American Insurance Company, et al.

Dated: New York, NY
March 24, 2006

NEW YORK STATE INSURANCE DEPARTMENT

By:



Jon G. Rothblatt
Principal Attorney

In the Matter of Zurich American Insurance Company, et al.

ZURICH HOLDING COMPANY OF AMERICA, INC.

By: 

Name:


David A. Gering

Title:

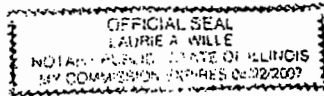
General Counsel

STATE OF Illinois,
COUNTY OF COOK) ss.:

On this 24 day of March, 2006, before me personally came David A. Gering, to me known, who, being by me duly sworn, did depose and say that he/she is the General Counsel of Zurich Holding Company of America, Inc., the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by order of the board of directors of said corporation.




Notary Public



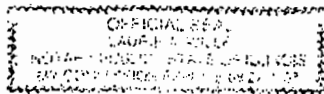
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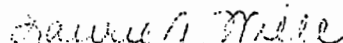
Zurich American Insurance Company

By: 
Name: David A. Bowers
Title: Executive Vice President
and General Counsel

STATE OF *Illinois*)
) ss.:
COUNTY OF *Cook*)

On this *24* day of March, 2006, before me personally came *David A. Bowers*, to me known, who, being by me duly sworn, did depose and say that he/she is the *EVP & Gen Counsel* of Zurich American Insurance Company, the corporation described in and which executed the above instrument; and that he/she signed his/her name thereto by order of the board of directors of said corporation.




Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, NY
March , 2006

HOWARD MILLS
Superintendent of Insurance

By: _____
Audrey Samers
Deputy Superintendent & General Counsel

