

ATTORNEY GENERAL OF THE STATE OF NEW YORK  
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IN THE MATTER OF :  
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THE PRUDENTIAL INSURANCE COMPANY :  
OF AMERICA :  
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**ASSURANCE OF DISCONTINUANCE**

Pursuant to the provisions of Executive Law § 63(12), the Donnelly Act (Gen. Bus. Law §§ 340 et. seq.), § 349 of the General Business Law 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 The Prudential Insurance Company of America (“Prudential”), a wholly owned subsidiary of Prudential Financial, Inc., relating to practices in the marketing, underwriting, sale, issuance, renewal, payment of compensation, placement and servicing of insurance for its clients or prospective clients; and based upon the Attorneys General’s investigation the following findings have been made:

**PRELIMINARY STATEMENT**

1. With over \$3 billion in annual group insurance premiums, Prudential is one of the largest providers of group insurance in North America. Prudential provides group life, disability, long-term care and accidental death and dismemberment insurance to approximately 19 million workers employed by corporations, school districts, municipalities and other employers throughout New York and the United States.

2. Most of Prudential’s group insurance business is sold through intermediaries, such as brokers or consultants (collectively, “producers”). Producers provide employers with access to a wide array of insurance products from various insurers and purport to advise them on the

optimal coverage for their employees. Many employers were unaware, however, that since at least 1998, Prudential entered into numerous undisclosed “override agreements” (sometimes referred to by other insurers and producers as “contingent commission agreements”) under which Prudential paid producers millions of dollars of undisclosed compensation for insurance business. Producers with whom Prudential has had such agreements include Marsh & McLennan Companies, Inc. (“Marsh”), Aon Corporation (“Aon”), Arthur J. Gallagher, Inc. (“AJG”), USI Holdings Corporation (“USP”), Universal Life Resources, Inc. (“ULR”) and Pacific Resources, Inc. (“Pacific Resources”).

3. Under these override agreements, Prudential paid producers based on certain criteria. These included: (1) the volume of business the producer generates for Prudential; and (2) the amount of business the producer is able to maintain for Prudential at renewal. These compensation arrangements gave an incentive to producers – who have an obligation to employers to identify the most appropriate insurance products at the best value – to provide customers to Prudential. This system of compensation proved to be lucrative for Prudential: Between 1999 and 2005, Prudential paid approximately \$60 million in overrides to producers on approximately \$18 billion in premium.<sup>1</sup> Former and current senior Prudential executives have acknowledged that Prudential would not have received this much business without paying overrides, because competitors in the industry made similar payments.

4. Prudential also advised employees to leverage its undisclosed payments to producers to reduce the options available to employers. A 1999 sales presentation document

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<sup>1</sup>During this period, Prudential paid overrides to an average of approximately 170 producers a year.

entitled “Group Life Sales Push” explained that Prudential could “eliminate or reduce the competition” by “[i]ncreas[ing] broker incentives for those producers who provide *exclusive looks or very limited marketings.*” (Emphasis added)

5. On approximately a dozen separate occasions between 1999 and 2002, Prudential offered “single case overrides” to producers that generally had no override agreement with Prudential but nevertheless maintained large employers as clients. Prudential’s single case override agreements were commonly written agreements for which only one case applied, and were made with the producer often to close the case or to encourage the producer to send future business to Prudential. On some occasions, these payments, which were based on a percentage of premium, were built into the clients’ premium rates without notice to or consent of the client.

6. Prudential also paid undisclosed and excessive “communication fees” and other types of “fees” to producers for ill-defined services. Prudential then sometimes passed on the cost of the fees to its clients.

7. In response to producer demands, Prudential has also sometimes made incentive payments to producers as “fees” for “services” on particular cases “to write the case” – or in other words, to get the business. These flat fees, which were sometimes specified in the Request for Proposal and paid by the winning insurer included, “implementation fees” and “RFP fees.” On one occasion, Prudential paid a single case override as a “consulting fee,” purportedly for the preparation of “communication material,” and then built the fee into the cost of coverage.

8. Prudential also provided inaccurate information to its clients regarding important aspects of undisclosed incentive payments to producers. In one case, Prudential provided incomplete information to one of its clients about the overrides paid to a producer. In other

instances, Prudential agreed with a producer to mislead its clients regarding the relative cost of the producer's charges for communication services.

## **FACTS**

### **I. BACKGROUND**

9. Employers often offer insurance as a benefit for their employees. An employer may offer group insurance in which the employer is the policyholder, or may serve as a conduit for voluntary insurance for which the individual employee is the certificate holder. In both cases, insurance carriers generally receive premium payments through the employer – from salary deductions in the case of voluntary insurance.

10. Employers rarely purchase group insurance policies directly. Rather, they typically hire consultants or brokers – whom insurers call “producers” – to represent their interests in dealings with insurance carriers. Producers issue requests for proposals (“RFP’s”) to insurers; present insurers’ proposals to employers; recommend the optimal proposal; and represent the employer in negotiations that follow. They hold themselves out as representatives of the employer seeking insurance, and employers rely on their expertise in navigating the complexities of group benefit insurance.

11. Some employers compensate producers by paying a fee; otherwise, insurers generally pay producers a commission, calculated as a percentage of the premium paid by the employer. In addition, insurers have made other payments to producers that are contingent on the amount and nature of business the producer “produces” for the insurer. The precise name of these payments may differ among insurers, but they are generically referred to as “overrides” or

“contingent commissions.” The specific terms of contingent commission agreements vary, but they commonly require the insurer to pay the producers based on factors including the volume of business the producer’s clients place with the insurer and the number of the producer’s clients that maintain their policies with the insurer.

12. Federal law generally requires private employers to disclose compensation paid to producers in connection with an employer’s purchase of insurance for its employees with group plans in excess of 100 or more participants. This information must be reported on Form 5500, Schedule A (“Form 5500”) , and must be filed by the employer with the United States Department of Labor. In situations where the employer has paid a fee to the producer, the employer will know the amount to report on Form 5500. The employer, however, does not independently know the amount of compensation an insurer may have paid to the producer. As a result, the insurer usually reports to the employer that amount. This report may be the employer’s only opportunity to learn of compensation its producer has received from an insurer; if a payment is not disclosed during the creation of the Form 5500, an employer may never know of its existence.

## **II. PRUDENTIAL PAID UNDISCLOSED COMPENSATION TO PRODUCERS TO OBTAIN BUSINESS**

13. Prudential incentivized its producers to provide it with business. For example, in order to obtain new and maintain existing insurance business, Prudential: (1) paid producers undisclosed compensation in the form of overrides – including, in some instances single case overrides; and (2) paid certain producers undisclosed and excessive “communication fees” and other types of ill defined “service fees” to obtain and retain business. Prudential also advised its employees to pay certain producers additional overrides to limit competition during the bidding

processes in which Prudential participated.

**A. Prudential Paid Overrides To Producers For Insurance Business**

14. According to a former Prudential Group Insurance Senior Vice President, the payment of overrides was a “price to play” in an industry where all of Prudential’s competition paid “non-disclosable overrides for the acquisition of large business” and where certain producers had requested non-disclosable overrides “as a means to reduce the visibility of their fees.” According to Prudential’s former President of Group Insurance, “[t]he theoretical purpose [of paying overrides] was that you would get more [business] from that producer and it would stay with you longer.” For those producers that “controlled” more business, Prudential offered more lucrative override agreements. In those cases, according to Prudential’s former President of Group Insurance, Prudential “would communicate to the broker that we would expect them to place more business with us because we were giving them a higher payout....”

15. A September 9, 1999 email from a former Prudential sales representative demonstrates how this strategy was put to use at Prudential. In an effort to obtain more business from a producer, the sales representative proposed the following plan:

Amend the [override] agreement as requested, but to [sic] require some definite short term indications of [the producer] actively working to provide profitable business to Prudential – I’m convinced they have competitor agreements with Met, UnumProvident, & CIGNA that have comparable terms. *I am real uncomfortable with the dollars involved and the non-disclosure to customers, but feel we have no choice but to compete using financial means.* Basically they have requested an override of 2% for 1999, and escalating to 3% for 2000 and thereafter based upon the size of their book of business.” (Emphasis added)

16. In another instance, a former Prudential sales representative rationalized a higher

override payout for a producer by stating, “[g]iven what we are trying to accomplish on [a prospective client] and hopefully other business opportunities, and given what is potentially at stake over time, I think ... \$38,000 is an easy call.” A Prudential executive responding to the justification complained: “[The producer] really didn’t do anything to receive this payment. Its really just a bonus to get things going.”

**B. Prudential Paid Producers Single Case Overrides To Win Bids Or To Encourage Future Business**

17. On approximately twelve separate occasions, Prudential offered producers “single case overrides” – undisclosed payments, generally made annually by Prudential to producers on specific cases, as a percentage of the premium generated on those cases. On some occasions, these payments were incorporated into the cost of the premium.

18. Prudential sometimes paid single case overrides to producers to obtain a particular piece of business. For example, during the bidding process of the voluntary life and disability insurance business of one employer, a producer requested from Prudential a separate yearly payment of 1 percent of premium. Prudential agreed to the annual payment. A Prudential account manager rationalized the payment as follows:

The [employer’s] Life and Disability programs were marketed about this time last year. [The producer] ... was very supportive of Prudential during the marketing... . I know typically a marketing results in much lower rates tha[n] we are comfortable with. This is not the case with the [employer] in that we were willing to match Met [L]ife[‘s] rates (provided by [the producer]) which produced an optional life premium of around \$190,000 lower than we had offered. [The producer] supported our original rating and *we did not need to go to the MET rates to retain the business.*” (Emphasis added)

Significantly, the account manager went on to note that the single case override “cost has been

included in our pricing and each year [the producer] sends us an invoice for an amount that is equivalent to 1% of annual premium.” Thus, the optional life rates remained \$190,000 above the proposed MetLife rates and the cost of the annual single case override was included in the rates for three years.

19. In another example, a Prudential sales representative justified a single case override for a New York-based producer in an email: “We agreed to pay the [producer] an additional 5% override for placing the case with us. However, I was able to sell rates that include this 5% override. Therefore, the bonus should not come from our bonus pool.”

20. Prudential also paid single case overrides to encourage producers to place more business with Prudential in the future. For example, Prudential paid an \$18,383 single case override to another producer on a client’s account. In an email, a Prudential sales representative wrote, “I would really like to do this for him, it is a favor but one I should be able to cash in on or before the year is out.”

21. The purpose of these override payments, however, was not solely to encourage producers to send insurance business to Prudential. Prudential also instructed its employees to pay single case overrides to limit competition from the bidding processes in which Prudential participated. A 1999 presentation document entitled “Group Life Sales Push,” noted that by “[i]ncreas[ing] broker incentives for those producers who will provide *exclusive looks or very limited marketings*” Prudential could affirmatively “eliminate or reduce competition.” (Emphasis added) Prudential was aware that this sales strategy could have the effect of raising premium. The Group Life Sales Push document noted that by utilizing this strategy Prudential “should do better financially (more margin) in these situations than ... in an open market.” In a subsequent



email, a former Prudential executive further noted:

[T]his is designed for a producer who will partner with us. **Bottom line is that the [sic] our pricing will account for this special override arrangement.** The thought is that a producer who we offer this type of arrangement to will have enough control to sell a rate that we are all comfortable with. (Emphasis in original)

22. Prudential's former Executive Director of Sales put this strategy in motion by instructing Sales Directors in a 1999 memorandum as follows:

You may offer a [producer] a 5% first year and 2% subsequent year [override] if the preferred producer is able to offer Prudential a 'look' at a prospect that otherwise would not be out to bid. The producer would offer Prudential an *exclusive* opportunity to quote with *limited competition*. (Emphasis added)

23. The former Executive Director went on to state:

The assumption for this 'special' [override] is that we could command a higher [Rate of Premium] than we would if we were in a *full competitive environment*. Consequently, the cost of the broker award can be *offset through improved pricing*. (Emphasis added)

24. This sales strategy was vetted and approved before distribution of the memorandum to the Sales Directors, by Prudential's former President of Group Insurance, former Chief Financial Officer of Group Insurance and various former Group Insurance Vice Presidents. It is unclear whether Prudential actually received any "exclusive looks" or "limited marketings."

25. In October of 2003, Prudential conducted an internal review of its financial controls on override awards. The review revealed to Prudential's current senior management the existence of single case overrides. Since then, Prudential has ceased making such payments.

**C. Prudential Paid Undisclosed “Communication Fees” and other “Service Fees”**

26. Prudential’s payment of undisclosed compensation to producers did not stop with the payment of overrides – single case or otherwise. Prudential also paid certain producers “communication fees” and other “service fees,” ostensibly for services that the producers provided. For example, Prudential paid undisclosed communication fees to certain producers for enrollment, printing and distribution of marketing materials to employees. These fees could be as much as \$10 per employee. Prudential, however, could provide similar services in-house for approximately one-third the cost.

27. Some members of Prudential’s former senior management of Group Insurance have stated that communication fees: (1) were often excessive; (2) were agreed to by Prudential in order for it to receive business from the producer; and (3) were viewed by Prudential as a “pass through” to the insured. Elaborating on the meaning of the phrase “pass through” Prudential’s former President of Group Insurance acknowledged: “We would collect the money in the premium and give it to ... [the producer].” The cost of these excessive fees was often built into the rates.

28. Prudential also concealed communication fees from its clients at the behest of one of its producers. In a July 1, 2002 email, a former Prudential sales representative explained the producer’s instructions with regard to RFP questionnaires as follows:

[The producer] asks us to include their communication fee in voluntary life and disability. They [sic] want \$10 per [employee] for life and \$5 for disability. *We are to build it into the rates, typically into the employee paid rates, but not disclose it in our response in their questionnaire.*

For example, they [sic] ask if we have assumed [the producer] will

do all communications and are there any additional fees for the client? Our answer is that we assume [the producer] will handle all communications and that there are no additional charges required. (Emphasis added)

Prudential followed these instructions and provided misleading information to its clients about communication fees during the RFP process. Prudential also followed the producer's instructions and did not disclose communication fees in its ERISA Schedule A report to its clients.

29. Besides communication fees, Prudential also on occasion used the payment of "service fees" as incentives. According to a Prudential Group Insurance Senior Vice-President, these fees included vaguely defined "implementation fees" and "RFP fees." The case of one employer demonstrates the purpose of these fees. In that case, when a producer, asked for an "implementation credit" during the bidding process, a Prudential sales representative wrote:

The request came about, because [a Prudential sales representative paid] \$25,000 to implement the case which was a [producer] case. That case was bigger 45,000 lives and 6.5 in premium. This is 6000 lives and 3.7 in premium. I called [the Prudential sales representative] and *he said he did do it, to write the case. Personally the request pisses me off, especially since we have gave [sic] them a hell of a financial package.*

The finalist meeting is tomorrow at 1:00. *Can you live with me telling them we will give them \$10,000 to implement the case. I guess it is better than a flat 5% override or \$10.00 a head to print enrollment materials!.*" (Emphasis added)

30. In the case of another employer, a producer requested monthly service fees from Prudential. After examining the producer's proposed service list, a Prudential account manager wrote:

With respect to the tasks defined on the service proposal, I think you would agree that *none of the services listed are outside of our*

*normal implementation/ongoing services routines and further, nothing is listed that we would not do directly with [the employer] if [the producer] was not involved.*

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[W]e have already paid [the producer] their standard communication/implementation/enrollment fee, which on [the employer] amounted to \$310,000. ... *The only practical advantage I can see to agreeing to any annual service payment to [the producer] is potential leverage on the upcoming disability RFP.* While we might have felt a particular advantage coming off our life win, the reality is that Met has since reversed their [sic] silence following the loss of the life and are vigorously courting [the producer] regarding their absolute resolve not to loose [sic] the disability. *Finally, outside of the disability issue, I frankly don't see any other real gains from our agreeing to the [the producer] proposal.*" (Emphasis added)

Prudential paid the producer a monthly \$5,000 service fee for a year for a total of \$60,000.

Prudential ultimately did not win the disability RFP.

### **III. PRUDENTIAL MISLED ITS CLIENTS REGARDING UNDISCLOSED COMPENSATION TO PRODUCERS**

31. Prudential agreed with ULR to conceal information from ULR's clients in order to protect ULR's interests. For example, Prudential misled clients regarding the cost of communication services provided to them by ULR. In addition, Prudential paid overrides to ULR on a client's business knowing that the client did not want such payments made. When the client inquired about the payment of overrides on its case, Prudential agreed with ULR to mislead the client about the payments.

#### **A. Prudential Made Misleading Statements Regarding The Cost Of Communication Fees**

32. In 2004, a large New York based company solicited a renewal quote from

Prudential, through ULR, in connection with its group life and accident coverage. In conjunction with creating its presentation of Prudential's renewal quote, ULR asked Prudential to create misleading exhibits which misrepresented Prudential's cost for communication services as being the same as ULR's costs – \$10 per employee. In a June 10, 2004 email one Prudential underwriter wrote to another:

[An executive] of ULR indicated at our Monday meeting that [an executive of Prudential] had agreed in principle that Prudential enrollment costs *would be shown as equal to ULR enrollment costs even though our costs are typically lower*. [The ULR executive] made this comment after we had provided ULR with information showing comparative costs for [the client]. (Emphasis added)

33. On June 22, 2004, a Prudential underwriter forwarded the misleading exhibits to ULR in an email stating the following:

Attached are the exhibits showing Prudential enrollment costs equal to ULR costs. We are agreeable to doing this for [the client] on an exception basis.

34. While internal documents reveal that Prudential could have performed communication services in-house for a fraction of the cost, Prudential nevertheless created documents that made it appear to the client that Prudential's charge for the services would be the same as ULR's. Relying on the incorrect information, the client accepted Prudential's offer as it was presented.

35. In the case of another client, Prudential included a \$100,000 "communication fee" to ULR in the premium rates for voluntary life insurance paid by the client's employees. This fee amounted to approximately *three times* the amount Prudential typically charged for the services.

36. In June 2004, a competitor of ULR solicited a quote from Prudential for the client's business. Prudential responded by mistakenly providing certain underwriting exhibits to the competitor producer that revealed that Prudential had incorporated the \$100,000 communication fee into the client's rates. When the Chief Executive Officer ("CEO") of ULR learned of the mistake, he confronted a Senior Vice-President of Prudential Group Insurance. To placate the CEO of ULR, the Prudential Senior Vice-President sent the following email:

If [the client] was interested in having Prudential perform these services, it would have been necessary to charge directly for any expenses incurred during the enrollment process. The level of expense would vary depending upon the extent of the enrollment campaign, communication material developed, and mailing costs. *It is not unreasonable to assume that they could approach the level of ULR communication costs (\$100,000) included in the current [client] rates with Prudential.*" (Emphasis added)

37. The email's author has admitted that he wrote the above email as a "favor" for ULR's CEO to serve as cover for the reasonableness of ULR's communication fees. The author of the email has also admitted that at the time he drafted the email, he thought ULR's communication fees were excessive and knew of no cases in which Prudential had actually charged a communication fee of this magnitude for communication services it performed in house. Finally, the author of the email has also admitted that he wrote the email in order to maintain his business relations with ULR. Ultimately, Prudential made a \$42,500 partial payment to ULR and absorbed the cost of the fees.

**B. Prudential's Response To A Client Regarding Override Payments**

38. In May, 2002 a client retained ULR as a consultant in connection with placing group, life, accident and business travel insurance for the company's employees. The client and ULR executed an agreement under which ULR was to provide the company with consulting

services for a flat fee of \$47,000. Under the agreement, ULR was required to “forgo any override agreements that may apply [] in the placing of business.”

39. Prudential was well aware of the client’s concerns over the payment of overrides and knew that the client did not want such payments made to ULR. In an email to a fellow Prudential executive written two years after the client selected Prudential as its insurance carrier, the Prudential National Accounts manager handling the client’s account stated:

[An executive of the client] has been focused on the issue of ‘under the table’ payments to ULR for a long time. [The executive] mentioned it several times during the RFP process, and [] made it clear to both [a Prudential executive] and myself one night at dinner that he did not want any payments to go to ULR other than what [the client] had agreed to pay them. He went so far as to state that he would consider terminating the contract if he found out that the carrier they chose was paying ULR additional monies.

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[The client’s] two key reasons for objecting to the additional payments to ULR are that they: (1) raise [their] costs for insurance; and (2) they compromise ULR’s objectivity in making recommendations of carriers. [The client] has made these two points on numerous occasions in the past. The recent high profile publicity this issue has received in the press has caused it to come to a head at this point.

40. Despite being aware of the client’s position on overrides, Prudential paid ULR an undisclosed sum of \$99,716.58. When the client learned from media reports about possible incentive payments from insurers to producers, an executive of the client wrote to Prudential:

[T]he fee for ULR’s consulting services under the agreement was completely described in paragraph 2 of the agreement. The agreement did not designate ULR as [the client’s] broker and we expressly advised ULR that the only compensation from this work was their consulting fee.

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One of the reasons we selected ULR as a consultant was to receive

an unbiased perspective of the market. If they are now receiving any additional compensation because of an agreement with Prudential, that would be contrary to our agreement and we would question their motive for placing the business with Prudential.

41. In response, Prudential told the client, in language pre-approved by ULR's CEO, only that the costs of the override paid to ULR "are absorbed by [P]rudential as overhead and not allocated on a case-specific basis." Prudential's letter failed to inform the client that the client's premiums were factored into the override payment made to ULR or that the amount paid by Prudential to ULR attributable to the client's business was easily calculable.

#### **THE NEW YORK ATTORNEY GENERAL'S INVESTIGATION**

42. The New York Attorney General commenced a broad investigation of insurance brokers and insurers, including Prudential, in 2004. To address some of the issues raised by the investigation, Prudential implemented a policy of fuller disclosure, and began to disclose all contingent compensation retroactive to January 2004.

43. Based on these facts the Attorney General finds that Prudential engaged in deceptive and/or fraudulent practices by (a) paying brokers and consultants to bring business to Prudential in violation of their duties to their clients; (b) failing to disclose or concealing such payments from employers; and (c) making misrepresentations regarding the true cost and nature of communication and other service fees.

44. Prudential has cooperated with the Attorney General's investigation.

45. In the wake of the Attorney General's investigation, Prudential has adopted and under this Assurance of Discontinuance ("Assurance") will continue to implement a number of business reforms governing the conduct of Prudential employees.

46. The Attorney General and Prudential wish to enter into this Assurance to resolve



all issues related to Prudential in the Attorney General's investigation.

47. The Attorney General finds the relief and agreements contained in the Assurance appropriate and in the public interest. The Attorney General is willing to accept this Assurance of Discontinuance pursuant to Executive Law § 63(15), in lieu of commencing a statutory proceeding.

48. This Assurance is entered into solely for the purpose of resolving the Attorney General's investigation, and is not intended to be used for any other purpose.

49. Without admitting or denying any of the above allegations, Prudential is entering into this Assurance.

50. Neither this Assurance, nor any acts performed nor documents executed in furtherance of this Assurance, may be used as an admission of the above allegations.

NOW THEREFORE Prudential and the Attorney General hereby enter into this Assurance and agree as follows:

## **AGREEMENT**

### **Definitions**

For purposes of this Assurance:

1. "Assurance" means this Voluntary Assurance of Discontinuance, and its exhibits.
2. "Attorney General's Investigation" or "Investigation" means the Office of Attorney General's investigation related to Prudential's practices in the marketing, underwriting, sale, issuance, renewal or servicing of, and payment of Compensation relating to, Covered Insurance for its Clients or Prospective Clients.
3. "Base Compensation" shall mean a commission paid to a Producer in connection

with the issuance or renewal of Covered Insurance that is a percentage of premium or a fixed dollar amount that will be paid in relation to a Covered Policy.

4. “Bid Proposal” or “Proposal” shall mean any offer made by Prudential to issue, or renew Covered Insurance.

5. “Broker of Record Letter” shall mean a written statement signed by a policyholder advising an insurer that a particular Producer shall act as the policyholder’s representative.

6. “Compensation” shall mean anything of material value given to a Producer in connection with Covered Insurance including, but not limited to, money, credits, loans, advances of Compensation, forgiveness of debt, forgiveness of principal or interest, trips, prizes, gifts or the payment of salaries or expenses for an employee of the Producer, except that Compensation shall not include reasonable entertainment expenses.

7. “Contingent Compensation” means any Compensation paid to a Producer in relation to Covered Insurance which is contingent upon any Producer: (a) placing a particular number of policies or a dollar value of premium with Prudential; (b) achieving a particular level of growth in the number of policies placed or a particular dollar value of premium with Prudential; (c) meeting a particular rate of retention or renewal of policies in force with Prudential; (d) placing or keeping sufficient insurance business with Prudential to achieve a particular loss ratio or any other measure of profitability; (e) providing preferential treatment to Prudential in the placement process, including but not limited to giving Prudential last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements; or (f) providing anything else of material value to Prudential. Contingent Compensation shall not include Base Compensation or Supplemental Compensation paid in

accordance with the terms and conditions set forth herein.

8. “Covered Insurance” or “Covered Policy” shall mean any insurance: (1) provided by Prudential which employees, their spouses, domestic partners and/or dependants obtain (whether or not at their own expense) through any group entity (including an employer), including life, disability, long term care, accidental death and dismemberment and medical stop loss insurance; (2) that is issued or renewed in the United States; (3) for which Compensation is payable to a Producer; and (4) as to which the policy is issued to the employer or group. Notwithstanding the foregoing, group annuity products shall not be considered “Covered Insurance” for the purposes of this Assurance.

9. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

10. “Implementation Date” means July 1, 2007.

11. “Permitted Compensation” shall mean 1) Base Compensation, Supplemental Compensation, and Service Fees paid or offered to be paid to a Producer in connection with Covered Insurance; or 2) Compensation that (a) has been expressly and conspicuously authorized in a separate writing by the Prospective Prudential Client or the Prudential Client; and (b) is not Contingent Compensation.

12. “Producer” shall mean: 1) any insurance broker as that term is defined in § 2101 ( c) of the Insurance Law of the State of New York; 2) any independent insurance agent as that term is defined in § 2101(b) of the Insurance Law of the State of New York who offers Covered Insurance for a specific product or line from more than one insurer or affiliated group of insurers; or 3) any entity that solicits Bid Proposals or quotes on behalf of parties seeking

Covered Insurance. For the purposes of the Assurance, “Producer” shall not include any employees of Prudential or any person who discloses in writing to the Prospective Client that such person represents Prudential and will receive Compensation from Prudential in connection with the placement of Covered Insurance.

13. “Prospective Prudential Client” or “Prospective Client” shall mean any person or entity which has solicited a quote or Proposal for insurance that if issued or renewed would be Covered Insurance, or to whom Prudential has provided a quote or Proposal for insurance that if issued or renewed would be Covered Insurance. Any Prudential Client that solicits a quote or Proposal for additional insurance that if issued would be Covered Insurance shall be considered a Prospective Prudential Client under this Assurance.

14. “Prudential” shall mean Prudential Insurance Company of America, and its officers, directors and employees.

15. “Prudential Client” or “Client” shall mean any person or entity that is a party to a Covered Insurance contract with Prudential that is in force on the Implementation Date, or for which Prudential issues, or renews Covered Insurance, after the Implementation Date. Any person or entity with whom Prudential contracts to provide or renew Covered Insurance after the Implementation Date, or any person or entity that is a party to an insurance contract assumed or acquired by Prudential after the Implementation Date that is Covered Insurance under this Assurance, shall be a Client for purposes of this Assurance only from the time of the issuance or renewal of such Covered Insurance or the assumption or acquisition of such insurance contract.

16. “Service Fees” shall mean any fees paid by Prudential to a Producer in relation to the administration of insurance provided through an employer or other group to a particular

Prudential Client in connection with the sale or renewal of such insurance in addition to, or outside of, any fees that are treated by Prudential as commissions for the purposes of Schedule A (Form 5500), regardless of whether Prudential is required under ERISA to provide Schedule A (Form 5500) information to the Client. Service Fees shall include, but not be limited to, communication fees, marketing fees, implementation fees, enrollment fees, audit fees and Request for Proposal fees.

17. “Supplemental Compensation” shall mean any periodic Compensation paid to a Producer that is based on the amount of some or all premiums in respect of Covered Insurance in force with Prudential through that Producer during a previous year. The Supplemental Compensation percentage payable to any Producer must be fixed prior to the start of the year in which Supplemental Compensation is payable to the Producer, and the percentage may not be varied during the year.

#### **Monetary Payments**

18. On or before December 19, 2006, Prudential shall pay a penalty of \$2.5 million, by wire transfer to the State of New York.

19. On or before December 19, 2006, Prudential shall pay \$16.5 million dollars into a fund (the “Fund”), to be paid to policyholders of Prudential Covered Insurance (or their successors) who were represented by Producers that received Contingent Compensation or other Service Fees covered by this Assurance (“Eligible Policyholders”) between January 1, 2002 and December 31, 2005. No portion of the Fund shall be considered a fine or a penalty.

20. The Fund shall be invested in a designated money market fund subject to the prior approval of the Attorney General.

21. By February 15, 2007, Prudential shall propose to the Attorney General for approval a plan of distribution for the fund.

22. Within 60 days after the Attorney General approves the plan of distribution, Prudential shall calculate, in accordance with a formula approved by the Attorney General, the amount of money that each Eligible Policyholder may receive from the Fund. Prudential will provide the Attorney General with a report setting forth: (i) each Eligible Policyholder's name and address; (ii) the percentage of the Fund and dollar amount to which the Eligible Policyholder shall be entitled; and (iii) the basis on which the Eligible Policyholder's proposed recovery is based. Within 30 days thereafter, Prudential will send a notice, subject to the approval of the Attorney General, to each client eligible to be paid from the Fund, setting forth (i) – (iii) above. The notice shall bear the caption of this proceeding and state that the amount paid may increase if there is less than full participation by eligible clients in the Fund.

23. Eligible Policyholders shall have 120 days from the date the notice is sent or until October 1, 2007 (whichever is later, "the Claim Deadline") to request a distribution. Those who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit A. In the event that any Eligible Policyholder elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Prudential to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to paragraph 21 above; nor shall the total payments from the Fund to any Non-Participating Policyholder exceed 80% of that Non-

Participating Policyholder's allocated share. If any funds remain in the Fund as of December 31, 2008, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

24. Within 60 days after the Claim Deadline, Prudential shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General. Within 45 days of the final payment from the Fund, Prudential shall file a report with the Attorney General, certified by an officer of Prudential or other individual with personal knowledge, listing all amounts paid from the Fund.

25. Any of the tasks set forth in paragraphs 21 through 24 above may be performed by a settlement administrator (the "Administrator") selected and compensated by Prudential. At least one month prior to the Administrator carrying out any tasks under the Assurance, Prudential shall provide the Attorney General with the identity of the Administrator, and shall provide a copy of all agreements between Prudential and the Administrator.

26. Nothing in any agreement between Prudential and the administrator shall be inconsistent with the terms of this Assurance, nor shall any such agreement relieve Prudential of any obligation under this Assurance. The Attorney General shall have the right to object to any term of the agreement(s) on the ground that it is inconsistent with this Assurance. The Attorney General may, in its sole discretion, reject the appointment of any Administrator selected by Prudential.

27. In no event shall any of the funds in the Fund, or any investment income earned thereon, be used to pay attorneys' fees, to compensate or pay the costs incurred by the Administrator, or for any other purpose besides compensating policyholders.

28. Nothing in this Assurance shall preclude Prudential from sharing the costs of the Administrator with any other entity.

29. The sums set forth in this section are in full satisfaction of Prudential's obligations hereunder, and the Attorney General shall not seek to impose on Prudential any other financial obligation or liability related to this Assurance.

## CONDUCT

### I. COMPENSATION

From and after the Implementation Date:

30. Prudential shall only pay to Producers, in connection with the issuance, renewal or servicing of Covered Insurance, Permitted Compensation.

31. Prudential shall not offer to pay, directly or indirectly, to any Producer any Compensation in connection with the Producer's issuance, renewal or servicing of Covered Insurance, or solicitation of bids from Prudential for Covered Insurance, other than Permitted Compensation.

32. Except as an allocation of overhead expense, Prudential shall not add in the cost of Covered Insurance any Supplemental Compensation paid to a Producer in connection with a Covered Policy.

33. Prudential may pay Base Compensation and/or Supplemental Compensation to a Producer in respect of Covered Insurance, so long as the terms of this Agreement are met, including the compensation disclosures set forth below.

34. Prudential shall not pay any Service Fees to a Producer in relation to Covered Insurance unless, in a separate and conspicuous writing, (1) the Client has agreed prior to such



payment to the nature and scope of the services to be provided by the Producer and the amount of the Service Fee, (2) the Client has agreed that the services shall be provided by, and payment made to, the Producer; and (3) if Prudential provides the same services as those to be performed by the Producer, it has so informed the Client.

35. Prudential shall not pay any Contingent Compensation to a Producer in relation to any Covered Insurance.

- a. Notwithstanding the foregoing, in the event that Prudential in the future wishes to pay Contingent Compensation to Producers in relation to any Covered Insurance, and provided that one or more other insurers that have signed Assurances with the Attorney General in regard to Covered Insurance continue to pay Contingent Commission in respect of Covered Policies, Prudential may request amendment to this Assurance to allow for the payment of Contingent Compensation on substantially the same terms and to the same extent as permitted by Assurances entered into by the Attorney General with other insurers.
- b. In the event Prudential makes any request under subpart (a), Prudential and the Attorney General shall in good faith negotiate an amendment to this Assurance that grants Prudential substantially the same right to pay Contingent Compensation (if any) to the same extent and upon the same terms and conditions as is afforded to other carriers entering into Assurances with the Attorney General in respect to Covered Insurance. It shall not constitute bad faith if the Attorney General declines a request by Prudential for amendment under this section on the ground of Prudential's refusal to agree to any term or terms contained in the

Assurances with other insurers relied upon by Prudential in making its request.

II. COMPENSATION DISCLOSURES

From and after the Implementation Date:

36. Prudential shall disclose to Clients as set forth in this Section II the Compensation paid or payable to a Producer in connection with any Covered Insurance.

37. All Producer Compensation contracts entered into or renewed by Prudential shall include a provision obligating the Producer to provide the Compensation Notices and Statements provided for in this Section II to the Client or Prospective Client.

38. For all Covered Insurance, it shall be sufficient, for purposes of this Assurance, for Prudential to deliver the Compensation Notices and Statements to the Client or Prospective Client.

A. Compensation Notice

39. Prudential shall deliver to Clients and Prospective Clients in a form substantially similar to Exhibit B hereto a compensation notice, as provided in paragraph 41, setting forth the details of all Compensation the Producer has received and/or may receive from Prudential in connection with any Covered Insurance purchased from Prudential (the "Compensation Notice").

40. The Compensation Notice shall include:

- a. A description of Base Compensation payable by Prudential in respect of Covered Insurance and a detailed description of how the Base Commission is calculated or determined and paid;
- b. The maximum Supplemental Compensation payable by Prudential in respect of Covered Insurance expressed as a specific dollar amount and/or as a percentage of

premium and a detailed description of how the Supplemental Commission is (or would be) calculated or determined;

- c. The URL for a website, and a toll-free number, by which the Client or Prospective Client may obtain further information about Compensation paid by Prudential, including the specific compensation paid or payable by Prudential in connection with the Client's or Prospective Client's Covered Policy; and
- d. Any equity interest held by Prudential in the Producer, if any.

B. Dissemination of Compensation Notice

41. Prudential shall deliver the Compensation Notice in the following manner:

- a. The Compensation Notice shall be prominently and clearly included in any Bid Proposal. If no Bid Proposal is made, Prudential shall deliver the Compensation Notice to the Prospective Client prior to the time the Prospective Client agrees to the issuance of the Covered Insurance;
- b. In the event Prudential receives a Broker of Record Letter from any Prudential Client reflecting a change in the Producer for the Covered Insurance, the Compensation Notice shall be delivered to the Prudential Client within 45 days of receipt of such Broker of Record Letter;
- c. In the event Prudential assumes or acquires a contract of insurance that is Covered Insurance under this Assurance, the Compensation Notice shall be delivered to the Prudential Client within 45 days of such assumption or acquisition.

42. Prudential shall not pay any Compensation to a Producer in connection with the placement or renewal of any Covered Insurance before the date the Client has acknowledged in

writing that the Client has received the Compensation Notice.

C. Compensation Statement

43. Prudential shall deliver to the Clients set forth below, in a form substantially similar to Exhibit C hereto, a compensation statement setting forth the details of all Compensation the Producer has received and/or may receive from Prudential in connection with any Covered Insurance purchased from Prudential (the "Compensation Statement").

44. The Compensation Statement shall include:

- a. A description of Base Compensation payable by Prudential in respect of Covered Insurance and a detailed description of how the Base Commission is calculated or determined and paid.
- b. The total dollar amount of Supplemental Commission payable by Prudential to the Producer in respect of the Covered Insurance expressed as a specific dollar amount and/or as a percentage of premium and a detailed description of how the Supplemental Commission is (or would be) calculated or determined.
- c. If any Compensation is payable to a Producer in connection with the issuance or renewal of Covered Insurance other than Base Compensation or Supplemental Compensation, the Compensation Statement shall identify the services for which (and if applicable, the agreement pursuant to which) the Compensation is to be paid and specify the amount of any such Compensation.
- d. The URL for a website, and a toll-free number, by which the Client may obtain further information about Compensation paid by Prudential, including the specific compensation paid or payable by Prudential in connection with the Client's or

Prospective Client's Covered Policy.

D. Dissemination of Compensation Statement

45. Prudential shall deliver the Compensation Statement in the following manner:

- a. The Compensation Statement shall be prominently and clearly delivered before or with the delivery of any contract for Covered Insurance; and
- b. The Compensation Notice shall be sent annually by mail to all policyholders of a policy for Covered Insurance with Prudential on or before June 30 of each calendar year, or the date on which the Form 5500 information report is delivered to the client, whichever is later.

III. CONDUCT RESTRICTIONS

46. Before the Implementation Date, Prudential shall develop and implement a written Producer Compensation Plan in compliance with the terms and conditions set forth herein.

47. Within 90 days after the Implementation Date, Prudential shall implement company-wide written standards of conduct regarding Compensation paid to Producers. Prudential shall submit to the Office of the Attorney General a draft of the written standards of conduct prior to their dissemination. Prudential shall also, consistent with the terms of this Assurance, implement appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, antitrust, trade practices compliance, and record-keeping. Prudential shall submit to the New York Attorney General a draft of the intended policies prior to their dissemination.

48. In connection with the foregoing matters, Prudential shall not engage in violations

of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 et seq.), the Martin Act (Gen. Bus. Law § 352-c) and New York Insurance Law.

#### IV. COOPERATION

49. Prudential shall fully and promptly cooperate with the Office of the Attorney General with regard to its Investigation, and related proceedings and actions concerning any other person, corporation or entity, including but not limited to Prudential's current and former employees, concerning the insurance industry. Prudential shall use its best efforts to ensure that all of its officers, directors, employees, and agents also fully and promptly cooperate with the Office of the Attorney General in the Investigation and related proceedings and actions. Except where prohibited by applicable law, cooperation shall include without limitation: (a) production voluntarily and without service of subpoena of any non-privileged information and all non-privileged documents or other tangible evidence reasonably requested by the Office of the Attorney General, and any compilations or summaries of non-privileged information or data that the Office of the Attorney General reasonably requests to be prepared; (b) without the necessity of a subpoena, using its best efforts to have Prudential's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by the Office of the Attorney General and using its best efforts to have such persons answer any and all inquiries into non-privileged matters that may be put by the Office of the Attorney General (or any of the Office of the Attorney General's deputies, assistants or agents) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (c) fully, fairly and truthfully disclosing all non-privileged information and producing all non-privileged records and other evidence in its

possession relevant to all inquiries reasonably made by the Office of the Attorney 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 Prudential 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. The Office of the Attorney General may challenge such claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by Prudential, its officers, directors, employees, or agents; and (e) Prudential shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the Office of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the Office of the Attorney General. Nothing herein shall prevent Prudential from providing such evidence to other regulators, or as otherwise required by law.

50. These rights shall be in addition to, and not in lieu of, any other investigative process which the Office of the Attorney General or the Department of Insurance may invoke under New York law.

#### V. NOTICES

51. All notices that are required or permitted under the Assurance shall be in writing and shall be sufficient if personally delivered or sent by certified or registered mail, facsimile transmission or overnight courier. Any notices shall be deemed given upon the earlier date of

when received, or the third day after the date when sent by registered or certified mail or the day after the date when sent by overnight courier to the address below or by facsimile to the number below:

For Prudential:

The Prudential Insurance Company of America  
Attn: Office of General Counsel  
751 Broad Street  
Newark, NJ 07102  
(973) 802-6000

with a copy to:

Debevoise & Plimpton LLP  
Attn: Edwin G. Schallert, Esq.  
919 Third Avenue  
New York, New York 10022  
212-909-6295  
212-909-6836 (facsimile)

For the Attorney General:

Office of Attorney General, State of New York  
Attn: Kermitt J. Brooks, Esq.  
120 Broadway  
New York, New York 10271  
212-416-8050  
212-416-8942 (facsimile)

52. Each Party shall provide the other with notification within seven days of any change in its principal address, telephone number or facsimile number. Prudential will provide the Office of the Attorney General with notification of any change in its corporate name and any merger, dissolution, or sale of all or substantially all of its assets.

#### VI. OTHER PROVISIONS

53. Except as otherwise stated, Prudential shall implement the provisions of this



Assurance within sixty days of the Implementation Date. Prudential will not undertake any transaction for the purpose of circumventing the prohibitions contained in this Assurance.

54. The Attorney General will not initiate a case against Prudential relating to the matters uncovered to date relating to the subject matter of this Assurance.

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

56. The Attorney General of the State of New York 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 Attorney General may determine is proper and necessary for the enforcement of this Assurance. If compliance with any aspect of this Assurance proves impracticable, Prudential reserves the right to request that the parties modify the Assurance accordingly.

57. This Assurance constitutes the entire agreement between the Office of the Attorney General and Prudential pertaining to the Investigation, and represents a voluntary agreement and full and final settlement of the parties' civil claims and defenses as to the matters addressed in this Assurance. It was entered into as a result of arm's length negotiations in which all parties were represented by counsel. The agreements contained herein are made without reliance upon any inducement, statement, promise or representation, other than those expressly contained in this Assurance.

58. This Assurance shall not be construed or interpreted to signify express or implied

approval by the Office of the Attorney General or any of its respective agencies, departments or divisions, of any of acts, practices, policies or agreements carried out or entered into by Prudential.

59. Nothing in this Assurance shall relieve Prudential of any obligations imposed by any applicable New York law or regulation. In the event that performance of any provision of this Assurance is rendered impossible by an obligation imposed on Prudential by any New York law or regulation, such law or regulation shall control.

60. This Assurance shall not confer any rights upon any persons or entities besides the Office of the Attorney General and Prudential.

61. Nothing in this Assurance or any of its terms or conditions shall be interpreted to alter in any way the contractual terms of any Covered Policy issued, assumed or acquired by Prudential or any other insurance contract in force on or before the Implementation Date to which Prudential is or was a party.

62. Nothing in this Assurance constitutes an admission of liability by Prudential as to any issue of fact or law. Neither this Assurance nor Prudential's agreement to into this Assurance may be offered or received into evidence in any action as an admission of liability by Prudential, whether arising before or after the Implementation Date.

63. This Assurance may be executed on separate signature pages, in counterparts or by facsimile or electronic transmission with the same effect as if all parties had signed the same physical page of this Agreement.

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


65. Any amendments to this Assurance shall be in writing and signed by all parties.

66. The parties represent that an authorized representative of each has signed the Assurance with full knowledge, understanding and acceptance of its terms and that this person has done so with authority to legally bind the respective party.

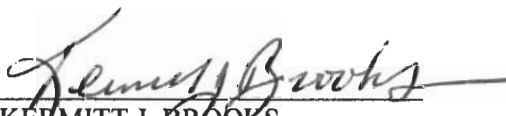
67. All of the obligations of this Assurance shall be binding on Prudential, its directors, officers, managers, employees successors, assigns and legal representatives, including but not limited to any person or entity to whom Prudential may be sold, leased or otherwise transferred.

WHEREFORE, the following signatures are affixed hereto on this 11<sup>th</sup> day of December 2006.

The Prudential Insurance Company of America

By:   
DEBORAH BELLO  
Vice President & Chief Legal Officer, Insurance  
213 Washington Street  
Newark, New Jersey 07102

ELIOT SPITZER  
Attorney General of the State of New York

By:   
KERMITT J. BROOKS  
Deputy Attorney General  
120 Broadway  
New York, NY 10271

**EXHIBIT A**

**GENERAL RELEASE**

This RELEASE (the "Release") is executed this \_\_\_ day of \_\_\_\_\_, 200\_ 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 Prudential Insurance Company of America and any of its subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Prudential").

"Assurance" refers to a certain Assurance of Discontinuance between Prudential and the Attorney General of the State of New York ("NYAG") dated \_\_\_, 2006, following an investigation by NYAG relating to same.

**RELEASE**

In consideration for the total payment of \$ \_\_\_\_\_ in accordance with the  
1.  
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, any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the Assurance.

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 Prudential in connection with any claims that RELEASOR may assert against Prudential, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Prudential.

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 B

### PRODUCER COMPENSATION NOTICE

Producers who place business with Prudential may be eligible to receive Commissions and Supplemental Compensation.

Commissions are payable as a percentage of paid premium or a fixed dollar amount that is paid by Prudential to your producer for as long as the producer is recognized as the broker of record on your policy.

Supplemental Compensation ranges from 0% – x% of group insurance premium. The actual percentage payable under Supplemental Compensation is determined based on the aggregate annual premium due on eligible cases that your producer has inforce with Prudential. The cost of Supplemental Compensation is not charged directly to policies. As a result, your rates are unaffected whether or not your producer receives Supplemental Compensation. More information about eligibility criteria and payment calculation under the Supplemental Compensation program can be found on Prudential's website: [Prudential.com](http://Prudential.com)>Group Insurance>>producer page.

Questions regarding producer compensation can be directed to [GrpIns@Prudential.com](mailto:GrpIns@Prudential.com), or if you would like to speak to someone about producer compensation please call 1-888-xxx-xxxx.

## EXHIBIT C

### PRODUCER COMPENSATION STATEMENT

Producers who place business with Prudential may be eligible to receive Commissions and Supplemental Compensation.

Commissions are payable to your producer as a percentage of paid premium or a fixed dollar amount for as long as the producer is recognized as the broker of record on your policy. The annual commission to be paid to the producer in connection with your insurance policy is [x] % of premium.

Supplemental Compensation ranges from 0% – [x%] of group insurance premium. The actual percentage payable under Supplemental Compensation is determined based on the aggregate annual premium due on eligible cases that your producer has in force with Prudential. Your producer is currently qualified to receive [x] % of premium, which includes any eligible group life, group disability and long term care premiums paid by you in connection with your insurance policy. The cost of Supplemental Compensation is not charged directly to policies. As a result, your rates are unaffected whether or not your producer receives Supplemental Compensation. More information about eligibility criteria and payment calculation under the Supplemental Compensation program can be found on Prudential's website: [Prudential.com](http://Prudential.com)>Group Insurance>>producer page.

Prudential is paying [\$xx.00] or [y % of premium] to your producer in connection with your policy for [x, y, z services] pursuant to \_\_\_ agreement, dated \_\_\_\_\_.

Questions regarding producer compensation can be directed to [GrpIns@Prudential.com](mailto:GrpIns@Prudential.com), or if you would like to speak to someone about producer compensation please call 1-888-xxx-xxxx.