IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

| | | |
|---|---|---|
| THE PEOPLE OF THE STATE OF ILLINOIS, *ex rel.* LISA MADIGAN, Attorney General of the State of Illinois,<br><br>Plaintiff,<br><br>v.<br><br>LIBERTY MUTUAL INSURANCE COMPANY, a Massachusetts corporation, LIBERTY MUTUAL FIRE INSURANCE COMPANY, a Wisconsin mutual corporation, INDIANA INSURANCE COMPANY, an Indiana corporation, EMPLOYERS INSURANCE COMPANY OF WAUSAU, a Wisconsin corporation, WAUSAU BUSINESS INSURANCE COMPANY, a Wisconsin corporation, WAUSAU GENERAL INSURANCE COMPANY, a Wisconsin corporation, WAUSAU UNDERWRITERS INSURANCE COMPANY, a Wisconsin corporation,<br><br>Defendants. | ) | Case No. 06CH13359<br><br>2006 JUL -6 PM 1:42<br>CHANCERY DIV.<br>DOROTHY BROWN<br>CLERK |

**COMPLAINT FOR DECLARATORY JUDGMENT, INJUNCTION AND OTHER RELIEF FOR VIOLATION OF THE ILLINOIS CONSUMER FRAUD AND DECEPTIVE BUSINESS PRACTICES ACT**

NOW COMES the plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by Lisa Madigan, Attorney General of the State of Illinois, and brings this action complaining of defendants, Liberty Mutual Insurance Company (a Massachusetts corporation), Liberty Mutual Fire Insurance Company (a Wisconsin mutual corporation), Indiana Insurance Company (an Indiana corporation), Employers Insurance Company of Wausau (a Wisconsin corporation), Wausau Business Insurance Company (a Wisconsin corporation), Wausau General Insurance Company (a Wisconsin corporation), and

Wausau Underwriters Insurance Company (a Wisconsin corporation) (hereinafter "Defendants"), and states as follows:

## NATURE OF THE CASE

1. Since at least 2001, the Defendants have participated in a scheme to pay undisclosed kickbacks to insurance intermediaries who are supposed to represent the best interests of the clients they serve. This scheme, through the payment of undisclosed contingency commissions and other forms of customer steering, has corrupted the nationwide marketplace for insurance, raised insurance premiums, caused insured to receive inferior insurance coverage and violated the Illinois Consumer Fraud and Deceptive Business Practices Act ("the Consumer Fraud Act") (815 ILCS 505/1 et seq.).

2. Since at least 2001, the Defendants have failed to disclose the bid rigging practices of affiliate Liberty International Underwriters, which misrepresented the market price of insurance. Failing to disclose these bid rigging practices to Illinois consumers is a violation of the Consumer Fraud Act.

3. The People seek equitable relief, restitution, actual damages and penalties against the Defendants for each violation of the Consumer Fraud Act.

## JURISDICTION AND VENUE

4. This action is brought for and on behalf of THE PEOPLE OF THE STATE OF ILLINOIS, by Lisa Madigan, Attorney General of the State of Illinois, pursuant to the provisions of the Consumer Fraud Act and her common law authority as Attorney General to represent the People of the State of Illinois.

5. Venue for this action properly lies in Cook County, Illinois, pursuant to section 2-101 of the Illinois Code of Civil Procedure (735 ILCS 5/2-101), in that the Defendants are out-of-state corporations.

## PARTIES

6. Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by Lisa Madigan, Attorney General of the State of Illinois, is charged, *inter alia*, with the enforcement of the Consumer Fraud Act.

7. Defendant Liberty Mutual Insurance Company is a Massachusetts corporation, is affiliated with all other defendants, has its corporate headquarters in Massachusetts and conducts business in Illinois and throughout the United States.

8. Defendant Liberty Mutual Fire Insurance Company is a Wisconsin mutual corporation, is affiliated with all other defendants, has its corporate headquarters in Massachusetts and conducts business in Illinois and throughout the United States.

9. Defendant Indiana Insurance Company is an Indiana corporation, is affiliated with all other defendants, has it corporate headquarters in Indiana and conducts business in Illinois and throughout the United States.

10. Defendant Employers Insurance Company of Wausau is a Wisconsin corporation, is affiliated with all other defendants, has its corporate headquarters in Wisconsin and conducts business in Illinois and throughout the United States.

11. Defendant Wausau Business Insurance Company is a Wisconsin corporation, is affiliated with all other defendants, has it corporate headquarters in Wisconsin and conducts business in Illinois and throughout the United States.

12. Defendant Wausau General Insurance Company is a Wisconsin corporation, is affiliated with all other defendants, has it corporate headquarters in Wisconsin and conducts business in Illinois and throughout the United States.

13. Defendant Wausau Underwriters Insurance Company is a Wisconsin corporation, is affiliated with all other defendants, has it corporate headquarters in Wisconsin and conducts business in Illinois and throughout the United States.

## COMMERCE

14. Subsection 1(f) of the Consumer Fraud Act defines "trade" and "commerce" as follows:

> The terms 'trade' and 'commerce' mean the advertising, offering for sale, sale, or distribution of any services and any property, tangible or intangible, real, personal, or mixed, and any other article, commodity, or thing of value wherever situated, and shall include any trade or commerce directly or indirectly affecting the people of this State.

15. The Defendants were at all times relevant hereto, engaged in trade and commerce in the State of Illinois, to wit: Defendants were and are registered with the Illinois Division of Insurance and each year sell several million dollars of insurance to consumers that are located in and/or do business in the State of Illinois.

## DEFENDANTS' VIOLATIONS OF THE ILLINOIS COMSUMER FRAUD AND DECEPTIVE BUSINESS PRACTICES ACT

16. The vast majority of businesses and individual consumers purchase insurance through insurance intermediaries known as brokers or independent agents, or collectively, "Producers."[1] Producers typically offer insurance products from an array of insurers and hold themselves out to the insurance-buying public as the best way to purchase insurance

[1] For purposes of this Complaint, "Producer" means any insurance producer as that term is defined in the Insurance Code, 215 ILCS 5/500-10, namely as "a person required to be licensed under the laws of this State to sell, solicit, or negotiate insurance."

because they can offer unbiased advice about the available coverage options. Accordingly, Producers have a fiduciary duty to their clients when they perform that role.

17. Producers, however, are anything but unbiased fiduciaries. For years, Defendants and other insurers have made payments to Producers, which were not disclosed to insurance purchasers, in order to induce the Producers to steer policyholders to them. Producers, in turn, have responded to the inducement, often breaching their fiduciary duties and guiding their clients to the insurers that made the payments or that made higher payments, even when such insurers' products were more expensive or otherwise less advantageous than competing products. In at least one product line, the Defendants' affiliate Liberty International Underwriters, other major insurers and a Producer went a step further, colluding to actively deceive clients and rig bids for insurance coverage. The victims of these schemes were the businesses that paid inflated insurance premiums for insurance products that might not have best served the businesses' needs.

18. There are three basic types of entities in the insurance market. First, there are clients: individuals and companies seeking to purchase insurance for their businesses, employees or themselves. Second, there are Producers who advise their clients about necessary coverage and find insurers offering that coverage. Producers represent the client, obtain price quotes, present the quotes to the client, and make recommendations to the client that include factors other than price, such as differences in coverage, an insurer's financial security, or an insurer's reputation for service or claims payment. Third, there are insurers, which submit quotes to the Producers and, if selected by the client, enter into a contract with the client to provide insurance for that client's risk.

19. Producers in this structure receive an up-front fee or commission for locating the best insurance coverage at the lowest price. When the Producer receives a commission, the client usually pays it as part of one check to the Producer. The check contains payment for both the client's insurance premium and the commission. The Producer deducts the commission and forwards the premium to the insurer. Sometimes clients -- particularly large commercial clients -- break out the Producer's fee and pay it directly to the Producer, separate from the premium payment.

20. In addition to the up-front fee or commission described above, Producers sometimes receive another kind of payment as well. This other payment is generally called a contingent commission and comes from the insurers on an annual basis pursuant to arrangements known variously as contingent commission agreements, override agreements, placement service agreements, market service agreements and producer bonus agreements, among others. The precise terms of these agreements vary, but they commonly require the insurer to pay the Producer based on one or more of the following: (1) how much business the Producer's clients place with the insurer; (2) how many of the Producer's clients renew policies with the insurer; (3) how much the Producer increases placements with the insurer over the previous year; and (4) the profitability of the business placed by the Producer.

21. The following allegations in paragraphs 22 through 43 are pled merely as illustrations of the unlawful business practices of the Defendants and are not meant to be exhaustive. The unlawful activities of the Defendants are ongoing and plaintiff reserves the right to prove that other consumers have been injured as a result of said unlawful practices.

## A. Steering Based on Contingent Commissions

22. On information and belief, since at least 2001, the Defendants and other insurers have paid hundreds of millions of dollars in undisclosed contingent commissions to the world's largest Producers, including Marsh & McLennan Companies, Inc. ("Marsh"), Aon Corporation ("Aon"), Willis Group Holding Ltd. ("Willis"), and Arthur J. Gallagher & Co. ("Gallagher"), as well as thousands of smaller Producers. As discussed above, there were many names for these payments, but the essential purpose remained the same: Defendants and other insurers paid undisclosed contingent commissions to Producers with the intention of inducing those Producers to steer insurance business, including Illinois insurance business.

23. In most cases, steering took the form of Producers purporting to offer unbiased recommendations to their clients about the selection of insurers when in fact the Producers' recommendations were biased in favor of insurers who paid contingent commissions or who paid higher contingent commissions. Contingent commissions created incentives for Producers to recommend insurance that they knew might be more expensive or otherwise less advantageous to the customer simply because the recommended insurer's contingent commission structure was more advantageous to the Producer. On information and belief, Defendants and the Producers never adequately disclosed to Illinois consumers these inducements or the steering that resulted.

24. In fact, defendant Indiana Insurance Company was explicit about what it expected in exchange for the contingent commissions it paid, describing contingent commissions to Gallagher as an "added incentive . . . to encourage your Agency to place an increased amount of profitable business with our Companies."

25. Not surprisingly, Gallagher and other Producers acted on the incentives created by contingent commissions. For example, in December 2003, a senior Gallagher executive sent an email to all branch and regional managers urging them to "pump" business to seven favored insurers, including one of the Defendants, Wausau Insurance:

> With year-end approaching, it is our last chance to pump additional premium volume into these markets so that it is included in the 2003 contingent income calculation. Some of the more lucrative incentive programs are in place with these companies.
>
> | | | |
> |---|---|---|
> | 1. | Crum & Forster | (National) |
> | 2. | Hartford | (National) |
> | 3. | St. Paul | (Local) |
> | 4. | CNA | (Local |
> | 5. | Chubb | (Local) |
> | 6. | Travelers | (Local) |
> | 7. | *Wausau* | (National) |
>
> Any opportunity which you or your staff have to support these markets, either through renewal retention or new business, will help generate additional revenue for [Gallagher]. . . While the best interests of our clients is [sic] always the number one priority, commission and contingent income should not be ignored during the market selection process. . .

(Emphasis added) [AJG-ILDOI-00062102 attached as Exhibit 1]

26. Many Producers made systematic efforts to steer business in response to these incentives. For example, a September 2003 internal report at Willis stated that "Marketing centers are reviewing contingent, bonus and override plans to maximize all agreements during the fourth quarter. Special attention is being given to St. Paul, Chubb, *Liberty Mutual*, Hartford and Crum & Forster due to special [contingent commission] agreements." (Emphasis added.) [Willis 43329 attached as Exhibit 2] The following month Willis put together a revenue growth strategy focused on contingent commissions. One of the "Key Objectives" in the strategy was to "Maximize premium volume flow to key carriers with the most attractive contingent income agreements." [Willis 16095

attached as Exhibit 3] The strategy was implemented through emails and other communications from senior management exhorting Willis personnel: "Don't forget the advantages of placing as much business as possible with the carriers we have negotiated special deals with, as you look for ways to maximize revenue the last few months of this year and into 2004." [Willis 54752 attached as Exhibit 4] And, a November 3, 2003 email from a senior Willis executive made clear which carriers were to be favored: "feed our biggest contingency players, Hartford, St. Paul, Chubb and *Liberty Mutual*." (Emphasis added.) [Willis 35628-29 attached as Exhibit 5]

27. On information and belief, the costs of this steering scheme were borne by customers, including Illinois customers steered to more expensive and perhaps even inferior products. On information and belief, Defendants and other insurers also passed the cost of contingent commissions on to their policyholders in the form of higher premiums.

**B. Steering Based on Reinsurance Tying**

28. In addition to cash payments, Defendants provided other benefits to certain Producers. In at least one instance, defendant Liberty Mutual Insurance Company agreed to use a Producer for the placement of defendant Liberty Mutual Insurance Company's own reinsurance in exchange for a commitment from the Producer to steer business to defendant Liberty Mutual Insurance Company.

29. Reinsurance is insurance that insurers purchase to cover a portion of the risk from the policies they write. Many Producers are also in the business of assisting insurers in purchasing reinsurance. Before 2002, defendant Liberty Mutual Insurance Company engaged Aon's reinsurance division to assist it in placing its reinsurance program. In 2002, however, defendant Liberty Mutual Insurance Company expressed

concern that Aon's fees for property reinsurance were too high and considered using another Producer for reinsurance business. To retain the business, Aon negotiated an agreement with defendant Liberty Mutual Insurance Company whereby Aon promised increased retail premium placement to defendant Liberty Mutual Insurance Company in return for defendant Liberty Mutual Insurance Company's continued use of Aon for property reinsurance. [AON 0014304-09 attached as Exhibit 6] As an added incentive, Aon's reinsurance subsidiary, Aon Re, provided defendant Liberty Mutual Insurance Company with a reduction on its reinsurance brokerage fees. [AON 0014307-09 attached as Exhibit 6] Under the agreement, Aon then had the opportunity to recapture or "claw back" its lost reinsurance placement revenue, based on the volume or profitability of retail property business steered to defendant Liberty Mutual Insurance Company. [AON-0014304-05 attached as Exhibit 6] The terms of the agreement were not disclosed to policyholders, so policyholders that bought defendant Liberty Mutual Insurance Company property insurance through Aon did not learn of Aon's incentives to steer more business to defendant Liberty Mutual Insurance Company in return for reinsurance brokerage commissions. [AON-0014306 attached as Exhibit 6]

**C. Bid Rigging**

30. In the area of excess casualty insurance, which covers losses above the limits provided by policyholders' primary property and casualty insurance policies, Defendants affiliate Liberty International Underwriters, along with Marsh and several other major insurers, took their steering actions a step further over a four-year period, colluding to rig bids and submit false quotes to unwitting clients throughout the United States.

31. From 2001 through 2004, Liberty International Underwriters participated in the scheme in two ways: (1) where Liberty International Underwriters was the incumbent on

a "layer"[2] of business, Marsh generally sought to protect Liberty International Underwriter's incumbency and gave Liberty International Underwriters an unfair competitive advantage by seeking out non-competitive bids from other insurers, and (2) where Liberty International Underwriters was not the incumbent on a layer, Liberty International Underwriters agreed to provide less attractive quotes or to decline to quote in order to protect the incumbent, sometimes with the understanding that Liberty International Underwriters would receive business on another excess layer without competition.

32. Both of these practices were detrimental to the client seeking insurance, whose best interests Marsh was supposed to be serving. Through these practices, Liberty International Underwriters, Marsh and the other participants in the bid-rigging scheme allocated customers and raised the price of excess casualty insurance for all insureds throughout the excess casualty market.

33. The details of the scheme were as follows: when a favored insurer was the incumbent carrier, or was otherwise chosen by Marsh to win a client's excess policy as a part of the renewal process, Marsh set a target for the favored insurer – typically embodied in a Marsh-authored "broking plan"– which included proposed premium and policy terms for the favored insurer's bid. If the favored insurer met this target, Marsh generally arranged for the insurer to win the business, regardless of whether another insurer could have provided a better quote for the client.

34. In order to ensure that the favored insurer won business it wanted, Marsh would instruct other insurance companies to provide intentionally losing bids that were inferior

[2] Excess casualty insurance is typically sold in multiple layers of coverage over and above the insured's primary casualty policy with several different insurers each covering a layer. For example, Insurer A's primary policy provides coverage up to $10 million; Insurer B provides the first layer excess coverage from $10 million to $25 million; and Insurer C covers the next layer from $25 to $50 million.

to those provided by the favored insurer. These losing quotes were known, among other things, as "fake," "backup," "supportive," or "protective" quotes. They also were 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 the favored insurer's bid was the best available. It also had the effect of directing business to the favored insurer, not at terms best for the client, but rather at terms advantageous to the favored insurer.

35. Liberty International Underwriters was an active participant in the collusive bid-rigging scheme set up by Marsh. In fact, on August 8, 2005, Kevin Bott, an Assistant Vice President Underwriter in the excess casualty division at Liberty International Underwriters, pled guilty to criminal charges in connection with his involvement in the scheme, confessing that "[i]n many instances during this time period, brokers at [Marsh] instructed me to submit protect[ive] quotes on certain pieces of business where Marsh had predetermined which insurance carrier would win the bid. . . . I understood that such quotes were intended to allow Marsh to maintain control of the market and to protect the incumbent." *See People v. Kevin Bott*, No. 3931/5, Plea (N.Y. Sup. Ct. Aug. 8, 2005), attached as Exhibit 7. Bott went on to confess that he complied with Marsh's requests for B quotes "by submitting such quotes, which had the effect of allowing Marsh to obtain property in the form of millions of dollars in commissions and fees from each of numerous policyholders and insurance companies." *Id.* Bott also "understood that Liberty [International Underwriters] benefited from this scheme when Liberty submitted a 'B quote' on the lead layer of insurance. Marsh often allowed Liberty either to renew

its place on the excess layer or to gain new business." *Id.* Set forth below are specific examples of Liberty International Underwriters giving protective quotes to Marsh.

36. In March 2003, Marsh Client A was seeking a renewal of its property and casualty insurance including excess casualty. AIG was the incumbent on the lead excess layer and Marsh set a price target for AIG of $140,000, a 20% increase in premium. AIG met Marsh's target, so Marsh sought protective quotes from Liberty International Underwriters and another insurer. On March 26, Edward Keane, a senior executive at Marsh, wrote an email to Greg Doherty, the Marsh excess casualty executive on the placement, stating "I need a B quote from Liberty. I finally had AIG agree to write this thing at $140,000. Have Liberty come in around $175,000." [Marsh 301600 attached as Exhibit 9] That same day, Doherty forwarded the Keane email to Liberty International Underwriters with the message "see below and I will talk to you later." [Marsh 301600 attached as Exhibit 9] Finally, on March 28, Bott at Liberty International Underwriters wrote back to Doherty at Marsh with a "proposal" for $202,500. Marsh Client A ultimately paid AIG $140,000 for the coverage.

37. In October 2001, Marsh Client B sought renewal of its excess casualty coverage for a number of its properties. Marsh and AIG agreed that the premium on the lead layer excess policy would be approximately $80,000. On October 9, 2001, Josh Bewlay, a senior Marsh executive emailed his subordinate: "I need you to email me Type B indications from Liberty and [another carrier] on a lead $25 million. AIG came in at $79,750 . . . ." [Marsh 323270 attached as Exhibit 10] The subordinate then forwarded Bewlay's email to Bott at Liberty International Underwriters, stating, "Can you please e-mail me a lead protective quote for the $25MM." [Marsh 323270 attached as Exhibit 10] In response, Bott suggested, "How bout you e-mail me a protective quote, at the price

desired, I sign it, fax it back, and we're done?" [Marsh 323270 attached as Exhibit 10] After further discussion about logistics, Bott ultimately provided a quote "@ $125,000" via email. Marsh was able to procure at least one other protective quote on the account, and AIG was awarded the lead layer excess casualty policy.

38. In April 2003, Marsh Client C sought excess casualty insurance from Marsh. After deciding to award a layer of coverage to Zurich American Insurance Company ("Zurich"), Marsh set about getting protective quotes from Liberty International Underwriters and ACE, Ltd. On April 10, 2003, Keane at Marsh wrote an email to a subordinate: "Per our conversation, I will need B Quotes from Liberty and [another insurer]. [The favored insurer] has quoted . . . $163,000, so please have [the other insurer] and Liberty provide e-mail indications." [Marsh-NY 596885 attached as Exhibit 11] The subordinate then wrote to Bott at Liberty International Underwriters: "I truly just need to get your indication for the [layer at issue] – [the favored insurer] quoted it for $163,000." [Marsh 596882-83 attached as Exhibit 12] The next day Bott provided a protective quote of $195,000, and Marsh ultimately awarded the business to the favored insurer.

39. Marsh Client D approached Marsh in September 2003 for a property and casualty insurance program. In the course of putting the program together Marsh determined that Zurich should get the layer of insurance providing $40 million in coverage in excess of the first $25 million of coverage. A Marsh executive wrote Bott an email explaining the situation: "KB, Please provide us with a supportive quote for the $40MM xs $25MM ([Zurich's] layer). They quoted $215,000. . . . Any questions, please call me. Thanks a million!" [Marsh 8624228 attached as Exhibit 13] Bott initially refused to provide a supportive quote because Liberty International Underwriters was

capable of bidding less than $215,000 for the coverage: "Sorry goldy, can't help you on this one.... I'm crushing [Zurich's] number." [Marsh 274926 attached as Exhibit 14] Just a short time after this initial response, however, Bott came through: "Please be advised that we can offer the following indication relative to the captioned account: $40mm x $25mm @ $325,000." [Marsh 274937 attached as Exhibit 15]

40. From 2001 through 2004, Liberty International Underwriters provided numerous other B quotes and declinations and received protection and other favorable treatment from Marsh in return.

41. Through these actions, Liberty International Underwriters and the other participants in the excess casualty bid-rigging scheme have succeeded in allocating customers and raising premiums for all customers who purchased excess casualty insurance – whether through Marsh, through another Producer or direct from the insurer – throughout the United States from 2001 through 2004.

42. The actions as set forth above were gross, wanton and willful; were aimed at the public generally; and involved a high degree of moral culpability.

43. Defendants failed to disclose to Illinois customers the material fact that their affiliate Liberty International Underwriters' colluded to rig bids and submit false quotes to unwitting clients throughout the United States from 2001 through 2004, in violation of the Consumer Fraud Act.

**APPLICABLE STATUTE**

44. Section 2 of the Consumer Fraud Act (815 ILCS 505/2) provides:

> Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, or the use or employment of any practice

> described in section 2 of the 'Uniform Deceptive Trade Practices Act', approved August 5, 1965, in the conduct of any trade or commerce are hereby declared unlawful whether any person has in fact been misled, deceived or damaged thereby.

## VIOLATIONS

45. On information and belief, beginning no later than 2001 and continuing through in or about 2004, Defendants, together with Marsh and others, committed unfair and deceptive acts declared unlawful under section 2 of the Consumer Fraud Act (815 ILCS 505/2 by:

a. Paying contingent commissions to Producers with the intention and result of those Producers steering insurance business to Defendants;

b. Failing to disclose the contingent commissions that they paid to Producers;

c. Negotiating reinsurance agreements with Producers to influence Producers to steer insurance business to Defendants;

d. Failing to disclose terms and conditions of reinsurance agreements with Producers designed to influence Producers to steer insurance business to Defendants; and

e. Failing to disclose their affiliate Liberty International Underwriters' collusion to rig bids and submit false quotes to unwitting clients throughout the United States.

46. By committing the acts alleged above, Defendants have violated §2 of the Consumer Fraud Act by engaging in repeated deceptive acts and practices, including, but not limited to, misrepresentation, concealment, suppression and omission of material facts, while participating in and conducting trade or commerce with the knowledge

and/or intent that the State of Illinois and others would rely on such deceptive and illegal conduct.

## REMEDIES

47. Section 7 of the Consumer Fraud Act (815 ILCS 505/7) provides:

> a. Whenever the Attorney General or a State's Attorney has reason to believe that any person is using, has used, or is about the use any method, act or practice declared by this Act to be unlawful, and that proceedings would be in the public interest, he or she may bring an action in the name of the People of the State against such person to restrain by preliminary or permanent injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to: injunction; revocation, forfeiture or suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of a receiver; dissolution of domestic corporations or association suspension or termination of the right of foreign corporation or associations to do business in this State; and restitution.
>
> b. In addition to the remedies provided herein, the Attorney General or State's Attorney may request and the Court may impose a civil penalty in a sum not to exceed $50,000 against any person found by the Court to have engaged in any method, act or practice declared unlawful under this Act. In the event the court finds the method, act or practice to have been entered into with the intent to defraud, the court has the authority to impose a civil penalty in a sum not to exceed $50,000 per violation.

48. Section 10 of the Consumer Fraud Act (815 ILCS 505/10) provides:

> In any action brought under the provisions of this Act, the Attorney General is entitled to recover costs for the use of this State.

## PRAYER FOR RELIEF

WHEREFORE, the plaintiff prays this honorable Court enter an Order:

a. Finding that the Defendants have violated section 2 of the Consumer Fraud Act, including, but not limited to, by their commission of the unlawful acts and practices alleged herein;

b. Preliminarily and permanently enjoining the Defendants and their employees, officers, directors, agents, successors, assigns, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and any and all persons acting in concert or participation with Defendants, from continuing the unlawful conduct, acts, and practices described above in the State of Illinois;

c. Directing the Defendants to make full restitution to consumers that are located in and/or do business in the State of Illinois for losses and damages arising from the unlawful conduct, acts, and practices described above;

d. Assessing a civil penalty in the amount of Fifty Thousand Dollars ($50,000) per violation of the Act found by the Court to have been committed by the defendants with the intent to defraud; if the Court finds the defendants have engaged in methods, acts or practices declared unlawful by the Consumer Fraud Act, without the intent to defraud, then assessing a statutory civil penalty of Fifty Thousand Dollars ($50,000), all as provided in section 7 of the Consumer Fraud Act (815 ILCS 505/7);

e. Requiring the defendants to pay all costs for the prosecution and investigation of this action, as provided by section 10 of the Consumer Fraud Act (815 ILCS 505/10); and

f. Providing such other and further equitable relief as justice and equity may require.

Respectfully Submitted,

THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, ATTORNEY GENERAL OF ILLINOIS

Assistant Attorney General

Attorney No. 99000

BRENT D. STRATTON
MARK G. KAMINSKI
Assistant Attorneys General
100 West Randolph Street, 11th Floor
Chicago, Illinois 60601
Telephone: (312) 814-8326
Fax: (312) 814-3212
bstratton@atg.state.il.us
mkaminski@atg.state.il.us

**EXHIBIT 1**

[redacted]
Sent by: [redacted]

12/04/2003 05:11 PM

To: [redacted]
cc: [redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG, [redacted]
[redacted]@AJG, [redacted]@AJG

Subject: 2003 Contingent/Incentive Income

The majority of our standard carriers have contingent/incentive agreements in place with AJG, either on a local or national basis.

With year-end approaching, it is our last chance to pump additional premium volume into these markets so that it is included in the 2003 contingent income calculation. Some of our more lucrative incentive programs are in place with these companies:

1. Crum & Forster (National)
2. Hartford (National)
3. St. Paul (Local)
4. CNA (Local)
5. Chubb (Local)
6. Travelers (Local)
7. Wausau (National)

Any opportunity which you or your staff have to support these markets, either through renewal retention or new business, will help generate additional revenue for AJG. If we can have a strong finish with Crum & Forster, it is possible for AJG to meet a threshold, which pays Gallagher 4% of our eligible C&F premiums. That is an extra $20,000 of revenue generated on each $500,000 increment of premium!

While the best interests of our clients is always the number one priority, commission and contingent income should not be ignored during the market selection process. We can work smart while honoring our commitment to the client.

Here's hoping for a great December and strong finish to the year! Incidentally, if you think of it, please drop me an e-mail should you place any significant premium with these carriers over November and December. Thanks.

Seasons Greetings!

==========================

[redacted]
Arthur J. Gallagher & Co.
[redacted]
2 Pierce Place
Itasca, IL 60143-3141
630-285-3607 (voice)
630-285-4023 (fax)

**EXHIBIT 2**

$'000

| | |
|---|---|
| **Staff:** | **Comments / Analysis**<br>NA Retail:<br>S&B costs, excluding incentives, continue to run below budget for the year (+$378k or +8.2%).<br>WRENA:<br>Retention remaining high, little turnover<br>Internal position changes underway with Global Operations<br>Re-aligning Associate Positions to fit marketing table<br>CWP rightsizing remains scheduled<br>SSD:<br>No significant issues. |
| **Market Conditions:** | **Comments / Analysis**<br>NA Retail:<br>Willis<br>• Willis Marketing Centers are receiving commission change information by line of business for each carrier. Minimum rates are being established following a successful Pilot with Package Business. Rates below the minimum level will not be processed by Willis regional accounting centers without approval. This emphasis is expected to drive a recovery of commission decreases negotiated by carriers, eroded by attrition over the past year. Significant opportunities exist to increase commission dollars as overall premium rates stabilize or decrease.<br>• Major carrier partners have been advised of Willis initiative to recover commission reductions lost over the past year.<br>• Marketing centers are reviewing contingent, bonus and override plans to maximize all agreements during the fourth quarter. Special attention is being given to St. Paul, Chubb, Liberty Mutual, Hartford and Crum & Forster due to special agreements.<br>• These centers are also expected to pick up the largest share of [redacted] and [redacted] business as this business is replaced.<br>Carriers<br>• Results for insurers improved significantly during 2003. Six month numbers show operating income up tenfold year on year while surplus was up 6.6%.<br>• Net premium growth for insurers was up 11% through six months. This was the largest increase since 1987. Combined ratios excluding Cat losses was 99% down from 105% a year ago. ISO industry surplus increased from $[illegible] to $312bn.<br>• These improved results provide a statutory rate of return of 1.7%. This is much better than the 1% ROE last year, but still below the 12 - 15% ROE needed. Combined ratios will need to go down to the 90% level to achieve expected results.<br>• This provides room for continued rate increases. The question remains if the industry has the necessary discipline to drive results to expected levels. Previous cycles indicate one or more carriers will likely start a chain reaction of price decreases in an effort to increase market share forcing others to match prices or risk losing business. This struggle will likely intensify over the next six months. While the demise of [redacted] and [redacted] may have stabilized rate decreases the market's appetite for growth exceeds the short term gain from these two carriers.<br>• Carriers are very receptive to developing business plans with strategic partners like Willis. These plans include targeted geographic and industry cross segments supported with capacity and financial commitments for significant market share shifts.<br><br>WRENA:<br>Property capacity remains in tact with good accounts getting premium reductions and improved terms and conditions<br>Casualty is competitive with markets such as Ace targeting existing AIG accounts and aggressively pursuing national orders.<br>XL is emerging as a primary casualty market in the U.S. with [redacted] management<br>Executive Risk remains hard within all aspects (D & O, Crime, EPL and Fiduciary)<br><br>SSD:<br>The market is transitioning almost daily. Nothing overly dramatic since my Q2 update, but price/rate slippage is definitely occurring across the country. The market is a bit harder in the large metropolitan offices of NY, San Francisco and Los Angeles, but the rates are definitely on the downswing. |

10/15/2003

EXHIBIT 3

# $2.5 MILLION REVENUE STRATEGY
# WNA MARKETING PRACTICE
# OCTOBER 31, 2003

At the recent NA Marketing Practice Business Planning Meeting held in Chicago, a significant item discussed on the agenda was the development of a strategy to generate $2.5 million in unanticipated income from North America in November and December 2003. [redacted], [redacted], established this Revenue Goal as one mechanism to illustrate the value that a dedicated and coordinated Marketing Practice delivers to a large and complex Insurance Broker such as Willis Group. This initiative will be successful by establishing targeted income goals by region, pursuing identified key objectives, assigning responsibilities for revenue enhancing activities and tracking the results.

## TARGET INCOME BY REGION

Upon evaluation of the $2.5 million revenue goal, it is clear that each Marketing Region, as they are currently structured, will contribute a different amount towards the goal based upon the overall revenue size of the region, business mix and upcoming revenue flow for the months of November and December. In addition, it was determined that one-third of the Revenue Goal is expected to be fulfilled in November with the remaining two-thirds completed in December. Income targets as outlined will be the responsibility of each RMO and activities will overseen by the North American Marketing Director.

| MARKETING REGION | RMO | INCOME GOAL |
|---|---|---|
| Northeast | [redacted] | $775,000 |
| Midwest | [redacted] | $460,000 |
| Southern | [redacted] | $675,000 |
| Northwest | [redacted] | $190,000 |
| West | [redacted] | $400,000 |
| | TOTAL REVENUE | $2,500,000 |

## KEY OBJECTIVES

- Increase commission percentages on existing lines of business eligible for commission.
- Maximize premium volume flow to key carriers with most attractive contingent income agreements.
- Increase New Business hit ratio by targeting new business opportunities in the pipeline and focusing direct marketing support to ensure we utilize all of the Group's available leverage to secure the most competitive program available in the marketplace.
- Identify key accounts, both new and renewal, which will maximize income from the utilization of Willis Group resources including [redacted] Willis Re, Global Markets and other Willis Practice Groups.
- Monitor key renewal accounts which are "in jeopardy" and deliver Marketing resources where necessary to increase renewal retention percentages.

EXHIBIT 4

000455 Uid: D7B806C3443A24BD86256DD0006E022B

From : [redacted]WCG
To : [redacted]@WCG;
[redacted]@WCG;
[redacted]@WCG;
[redacted]@WCG;
[redacted]@WCG;
[redacted]@WCG;
[redacted]@WCG;
[redacted]@WCG
Date Sent : 11/03/2003 12:23:47 PM
Subject : Maximizing year end revenues

--------------------

Don't forget the advantages of placing as much business as possible with the carriers we have negotiated special deals with, as you look for ways to maximize revenues the last few months of this year and into 2004.

While in some cases there are numerous variables in calculating these deals we have plenty of opportunity to add needed revenue to the North America results, by taking time to direct our business when possible to the carriers listed below.

In previous emails I have sent to each of our marketing leaders the details of each plan . This is intended to refresh everyone's mind on the most recent arrangements in place .

Liberty Mutual. A National Market Management Fee is in place for 2003. Willis can earn .35% on renewals and up to 2.5% on new business provided we have at least $40,000,000 in defined revenue to Liberty, and at least 30 accounts. Losses are not a factor in this agreement. Please note Revenue to Liberty is defined as an Accounts annual premium less expected primary losses , commissions, taxes and residual loads. We are currently on target to meet the requirements necessary to earn a good fee .

Crum and Forester. A new agreement was put in place and back dated to January 1 2002 providing up to 3% incentive on renewals, provided we have a retention ratio over 80%. and another 3 1/2% on new business provided we write over $20,000,000 . Finally if the combination of new and renewal is greater than $30,000,000 we will earn another .5%. This plan is not subject to Losses and is expected to be paid 60 days after year end.. While we are behind on the retention percentage. We believe we are meeting other targets to earn a good incentive and have a reasonable chance to improve the retention ratio with a good fourth quarter.

CNA A National agreement is in place with CNA providing a Growth Incentive of up to 3% if Written premium is Greater than $75,000,000 and another 2% if our Loss ratio is under 45%. This agreement only includes "Commercial Lines standard premiums" and a number of excluded premiums apply , . You will need to refer to the document I sent a few weeks ago to understand all the exclusions. The agreement also provides a provision to pay 75% of the estimated annual payout in the fourth quarter of this year. Unfortunately

**EXHIBIT 5**

000128 Uid: 63E5B63880331E9B86256DD3005374B5

From : [redacted]WCG
To : [redacted]
Date Sent : 11/03/2003 10:11:45 AM
Subject : We need your help!

-------------------

...........wrong [redacted].........

[redacted]
Willis North America
10 South LaSalle St., Ste. 3000
Chicago, IL 60603

Phone: 312 621 4761
Fax: 312 621 6870
Mobile: 312 953 0174
----- Forwarded by [redacted]/Chi/US/WCG on 11/03/2003 09:11 AM -----

[redacted]
11/03/2003 08:48 AM CST

To: [redacted], [redacted]@zurichna.com, [redacted]
cc: [redacted]
bcc:
Subject: We need your help!

[redacted] note does a great job of encapsulating our objectives wanted to share this with you so you don't have to recreate the wheel.

Regards,

[redacted]
Willis North America
10 South LaSalle St., Ste. 3000
Chicago, IL 60603

Phone: 312 621 4761
Fax: 312 621 6870
Mobile: 312 953 0174
----- Forwarded by [redacted]/Chi/US/WCG on 11/03/2003 08:47 AM -----

[redacted]
11/03/2003 06:55 AM CST

To: [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]
cc: [redacted], [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]@WCG, [redacted]

[redacted]@WCG, [redacted], [redacted]

bcc:

Subject: We need your help!

[redacted] has asked the marketing department to find an additional $2,500,000 in revenue in the last two months of this year. Each region is being asked to contribute its fair share. For the North East that translates into $780,000 among seven offices. That equates to less than 2% of the November and December revenue for the offices. We are asking that all marketers look to do the following:

Ask for 2% additional commission on all renewals

With all fee accounts look to have [redacted] place the as many lines as possible especially (umbrellas are generally an easy one and if you have difficulty with [redacted] call me. We are warning them they should have additional flow, and that we expect them to deliver).

Look for opportunities to feed our biggest contingency players, Hartford, St. Paul, Chubb, Liberty Mutual (national accounts)

Look for opportunities to get Willis Re involved in any accounts possible.

Ask for bonuses from carriers for new business placements.

Ask for 2% additional commission on all accounts (I now I already said it, but it is so important that I am repeating it again).

We will be passing the above message on to all carriers that we meet over the next few weeks to help soften the carriers up, but they are so bad at internal communication that we obviously cannot count on the local staff to receive the message. Therefore, we will keep repeating it again, and again. We also are looking into additional (not early) payouts of contingencies to help us along. Please pass on to me any problems, and also all of your successes (we want to track the wins).

We have learned over the past few months that we can receive a lot by just asking. Please keep the pressure on the carriers. We have two months to go, and we can make 2003 a record year.

As always thank you for all that you do.

[redacted]

**EXHIBIT 6**

# PARTNERSHIP DIVIDEND PLAN AGREEMENT

This AGREEMENT is effective July 1, 2002 (the "Effective Date"), by and between Aon Re Inc. ("Aon Re") an Illinois corporation, a wholly owned subsidiary of Aon Corporation, a Delaware corporation (which, together with its other subsidiaries and affiliates is hereinafter referred to as "Aon Corp.") with its principal place of business in Chicago, Illinois and Liberty Mutual Insurance Company, domiciled in Massachusetts, along with certain of its affiliates and subsidiaries, through and exclusively for its business unit Liberty Mutual Property with its principal place of business in Weston, Massachusetts.

## WITNESSETH

## I. SERVICES AGREEMENT

1. Liberty Mutual Property and Aon Re have entered into an agreement, whereby Aon Re has agreed to act as reinsurance intermediary broker in placing treaty reinsurance business at the instruction of Liberty Mutual Property for the term extending from July 1, 2002, through June 30, 2003.

2. [redacted] a licensed broker, is a subsidiary of Liberty Mutual Insurance Company. Aon Re agrees to utilize [redacted] to provide to Aon Re services relating to the Liberty Mutual Property treaty reinsurance business having effective dates during the period extending from July 1, 2002, through June 30, 2003. The services will be described in a separate memorandum of agreement.

3. In consideration of this Services Agreement, Liberty Mutual Property agrees to the provisions of the Placement Service Agreement as detailed herein with respect to retail property insurance business placed by Aon Corp. with Liberty Mutual Property.

## II. PLACEMENT SERVICE AGREEMENT

1. In consideration of its agreement to the terms of the Services Agreement, Aon Re becomes eligible to receive Placement Service Payments in conjunction with the placement of retail property insurance business with Liberty Mutual Property by Aon Corp. In calculating the Placement Service Payments due Aon Re, all retail property insurance placed by Aon Corp. and written by Liberty Mutual Property shall be eligible.

2. Payments hereunder are referred to as "Placement Service Incentives" and shall be in addition to, and not in lieu of, customary commissions due Aon Corp. in conjunction with retail property insurance business placed with and written by Liberty Mutual Property as well as any reinsurance brokerage due Aon Re in accordance with the placement of property reinsurance on behalf of Liberty Mutual. Liberty Mutual Property shall pay Aon Re separate Placement Service Incentives based on Direct Written Premium and Loss Ratio as follows:

   a. Liberty Mutual Property shall pay Aon Re a Placement Service Incentive in an amount equal to the Payout as set forth below based on the Direct Written Premium for subject policies with effective dates from July 1, 2002, through June 30, 2003:

| Direct Written Premium | Payout |
|---|---|
| = or > $40,000,000 | $500,000 |
| = or > $35,000,000 to $40,000,000 | $400,000 |
| = or > $32,000,000 to $35,000,000 | $300,000. |

   Aon Re shall not be entitled to any Placement Insurance Incentive based on Direct Written Premium if the Direct Written Premium is less than $32,000,000.

"Direct Written Premium" is defined as direct written premiums for retail property insurance business placed by Aon Corp. and written by Liberty Mutual Property less premiums refunded by Liberty Mutual Property with respect to returns, allowances, or cancellations; provided, that no deduction shall be made for return premiums in the event a policy is canceled and rewritten mid-term by Liberty Mutual Property through another broker. If Aon Corp. is appointed, pursuant to a broker of record letter and not part of a purchase, merger, or other acquisition, as broker on any policy or policies written by Liberty Mutual Property through a different broker, Direct Written Premium attributable to such policies shall not be recognized in the calculation of the Placement Service Incentive. Direct Written Premium attributable to the renewal of any such policies during the term of this Agreement shall be recognized as part of the Placement Service Incentive calculation if the broker of record appointment is still in effect on the date of renewal.

b. Liberty Mutual Property shall pay Aon Re a Placement Service Incentive in an amount equal to the Payout as set forth below based on the Loss Ratio resulting from the retail property insurance business placed by Aon Corp. with Liberty Mutual Property:

| Loss Ratio | Payout |
|---|---|
| Less than 20% | $1,000,000 |
| 20% to 25% | $800,000 |
| > 25% to 30% | $600,000 |
| > 30% to 35% | $400,000 |
| > 35% to 40% | $200,000. |

"Loss Ratio" is defined as direct losses incurred from all accident dates (paid and/or reserved), excluding catastrophe losses, on all retail property insurance business placed by Aon Corp. with Liberty Mutual Property having effective dates extending from July 1, 2002, through June 30, 2003, divided by the earned portion (as of the date of calculation) of Direct Written Premium for retail property insurance business placed by Aon Corp. with Liberty Mutual Property having effective dates extending from July 1, 2002, through June 30, 2003.

In the event the Direct Written Premium for the above term is less than $15,000,000, there will be no payout under this Loss Ratio section.

3. All definitions and calculations of Direct Written Premium and loss ratio shall be based solely on Liberty Mutual Property reporting metrics; although, Liberty Mutual Property shall allow Aon Re reasonable access to its books and records for purposes of verifying any amounts due hereunder.

4. Liberty Mutual Property shall prepare and deliver Placement Service Incentive Statements to Aon Re within 45 days of the end of each calendar quarter and payment of Placement Service Incentives shall be made by September 30, 2003; although, Liberty Mutual Property shall be entitled to retain from any such payment any return premium and return commissions due to Liberty Mutual Property under any reinsurance treaty or insurance policy with respect to any property business the subject of this Agreement. At each subsequent June 30, until such time as all liabilities under the retail property insurance business placed by Aon Corp. and written by Liberty Mutual Property are fully extinguished, Liberty Mutual Property shall recalculate the Placement Service Incentive based on Loss Ratio and any amount due either party based on the recalculation shall be paid by September 30. Aon Re shall not be entitled to any Placement Service Incentive if either this Placement Service Agreement or the Services Agreement are canceled by Aon Corp. or Aon Re, or if Liberty cancels the Services Agreement before the service are received or if Liberty cancels the Placement Service Agreement because of misrepresentation, fraud, malfeasance, or nonfeasance by Aon Corp. or Aon Re.

## III. TERMS APPLICABLE TO BOTH AGREEMENTS

1. Dispute Resolution: Any dispute arising under this Agreement shall be resolved by binding arbitration pursuant to the rules of the American Arbitration Association before a panel of three arbitrators. The party demanding arbitration shall notify the other party in writing of its intent to invoke this provision, and shall notify the recipient of the name and address of its arbitrator. The party receiving the notice to arbitrate shall have 21 days after receipt of such notice to select an arbitrator, and to provide the name and address of its arbitrator. In the event the party receiving notice fails to select an arbitrator within 21 days, the party demanding arbitration shall be entitled to select the other party's arbitrator. The two arbitrators shall select a third arbitrator within 21 days of the naming of the second arbitrator. All arbitrators shall be experienced in the insurance industry, with knowledge of the insurance broking business, and shall be disinterested in the outcome of the arbitration. The arbitration shall be conducted in Boston, Massachusetts.

2. Term and Termination: This Agreement, and the Services Agreement and Placement Service Agreements comprising this Agreement, shall be effective on July 1, 2002, and shall remain in effect through June 30, 2003, unless terminated in accordance as provided herein. Either party may terminate this Agreement at any time by providing written notice to the other. Termination of one of the two Agreements comprising this Agreement automatically terminates the other Agreement. Notwithstanding the expiration of this Agreement, the terms and conditions of this Agreement shall continue to apply to all obligations and duties assumed hereunder until these obligations and duties are satisfied in full.

3. Confidentiality: The terms of these Agreements are confidential and shall not be disclosed by either party except as may be required by law.

4. Assignment: These Agreements and the rights, duties and responsibilities set forth herein shall not be assignable by either party hereto.

5. Notices: All notices as required under this Agreement shall be sent by pre-paid, first class mail to the other party and shall be deemed to have been effected when sent. Notices shall be sent to:

   Aon Corporation
   Aon Re Inc.
   Attn: [redacted]
   200 East Randolph
   Chicago, Illinois 60601

   Liberty Mutual Property
   Attn: [redacted]
   9 Riverside Road
   Weston, Massachusetts 02493-2298.

Or to such other person or address as either party may from time to time so notify the other party.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first above-written.

Aon Corporation
Aon Re Inc. [redacted]

By: [redacted]
Name: [redacted]

Date: 4/21/03

Liberty Mutual Insurance Company

By: [redacted]
Name:

Date: 4/29/03

Confidential Treatment Requested

AON0014306

**AON**

*Reinsurance Services*

**VIA OVERNIGHT COURIER**

April 14, 2003

Mr. [redacted]
Liberty Mutual Insurance Company
9 Riverside Road
Weston, MA 02493-2298

Dear Mr. [redacted]

Pursuant to the Memorandum of Agreement among Aon Re Inc., [redacted], and Liberty Mutual Insurance Company, effective July 1, 2002, the fee for the period July 1, 2002, through June 30, 2003, shall be $3,000,000.

Please sign below indicating your acknowledgement and return an original to me.

Sincerely yours,

[redacted]

On behalf of [redacted]

B[redacted]

On behalf of Liberty Mutual Insurance Company

By: [redacted]

Confidential Treatment
Requested

Aon Re Inc.
200 East Randolph Street • Chicago, Illinois 60601
tel: 312.381.3300 • fax: 312.381.0160 • www.aon.com

## MEMORANDUM OF AGREEMENT

In anticipation of a continuing business relationship between Liberty Mutual Insurance Company, a Massachusetts domiciled insurance company ("LMIC") and Aon Re Inc. ("Aon Re") and its affiliates, an Illinois domiciled reinsurance intermediary broker, the parties to this Memorandum of Agreement ("Agreement") deem it desirable and prudent to reduce to writing the manner in which they will continue to do business together.

In an effort to more efficiently coordinate its property treaty reinsurance needs, LMIC hereby delegates to [redacted], a Massachusetts licensed insurance broker [redacted] and a wholly owned subsidiary of LMIC, the responsibility for coordinating and administering specific Property Catastrophe and Property Per Risk reinsurance treaties for LMIC and the Wausau Insurance Companies ("WIC").

Therefore, the parties hereto make the following representations and jointly agree to the following:

1. Best Efforts. [redacted] will assist LMIC in preparing and packaging LMIC's and WIC's Property Catastrophe and Property Per Risk reinsurance needs and shall submit to Aon Re LMIC's requests for reinsurance placement. Aon Re agrees to use its best efforts to procure, from time to time and at the request and direction of [redacted], reinsurance for LMIC.

2. Binding. [redacted] acknowledges that it is not an agent of Aon Re, and as such it has no power to bind Aon Re or any reinsurer.

3. Licensing. [redacted] represents that it is a duly licensed insurance broker in every state in which it transacts business.

4. Premiums. [redacted] agrees to be responsible for forwarding to Aon Re premiums (including premium adjustments) for such reinsurance placed by Aon Re on behalf of LMIC.

5. Servicing Fee. Aon Re agrees to allow [redacted] a servicing fee for the reinsurance placed for LMIC by Aon Re. The amount of this servicing fee will be agreed to each year.

6. Accounting. Aon Re will issue a separate premium invoice to [redacted] for each placement of reinsurance for LMIC and [redacted] will forward invoices to LMIC for payment. LMIC shall forward premium payments to [redacted] for remittance to Aon Re in accordance with due dates agreed upon. The Servicing fee may be offset against premium before payment is remitted to Aon Re.

7. Claims and Losses. [redacted] acknowledges that Aon Re will be the designated intermediary and that as such Aon Re will receive from [redacted] for filing with the reinsurers all notices of occurrence or claim, unless specific circumstances dictate otherwise. Each party agrees to furnish the other with copies of correspondence to and from the reinsurers and LMIC in a prompt manner upon request. To the extent called upon to do so by LMIC, each agrees to assist LMIC with the presentation of their claims to the reinsurer whenever feasible.

8. Termination. This Agreement may be terminated by either party upon forty-five (45) days written notice to the other party.

Except as is otherwise indicated, this Agreement shall be effective as of July 1, 2002, and shall apply generally to all future reinsurance placed by Aon Re for LMIC at [redacted] direction.

This Agreement dated 4/14/03.

AON RE INC. [redacted]

[redacted]

By [redacted]
Authorized Representative

Acknowledged and Accepted by:

LIBERTY MUTUAL INSURANCE COMPANY

By: [redacted]
Authorized Representative

**EXHIBIT 7**

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: CRIMINAL TERM PART 41

- - - - - - - - - - - - - - - - - - - - - -X

THE PEOPLE OF THE STATE OF NEW YORK : S.C.I. No. 3931/05

- against - :

KEVIN BOTT, :

Defendant. : PLEA

- - - - - - - - - - - - - - - - - - - - - -X

August 8th, 2005
100 Centre Street
New York, New York

B E F O R E :

HONORABLE JAMES A YATES,
Justice.

A P P E A R A N C E S :

FOR THE PEOPLE:

ELIOT SPITZER
Attorney General
State of New York
120 Broadway
New York, New York
BY: MICHAEL D. ROE, ESQ., A.A.G.

FOR THE DEFENDANT:

FRIEDMAN KAPLAN SEILER ADELMAN
1633 Broadway
New York, New York
BY: PAUL FIRHMAN, ESQ., Of Counsel.

JOSEPH V. CONNOLLY
Senior Court Reporter

(Whereupon, the Court, Mr. Roe, Mr. Fishman and the defendant being present in the courtroom, the following proceedings commenced:)

COURT CLERK: Added to the calendar; S.C.I. 3931 of 2005; the People of the State of New York against Kevin Bott, B-O-T-T.

Present in the courtroom is the defendant, his attorney and the assistant attorney general.

State your appearances for the record, please, counsellors.

MR. FISHMAN: Good morning, your Honor.

Paul Fishman, from Friedman, Kaplan, Seiler and Adelman, 1633 Broadway, New York, New York, on behalf of the Defendant Kevin Bott.

MR. ROE: Assistant Attorney General Michael Roe, for the People.

Good morning, your Honor.

THE COURT: Good morning.

Did you say Paul Friedman?

MR. FISHMAN: Fisman.

THE COURT: Fishman, that's what I thought.

Is there anything we need to discuss or should I just go ahead with the allocution?

MR. FISHMAN: We have a plea agreement, Judge.

THE COURT: All right.

Mr. Bott?

THE DEFENDANT: Yes, sir?

THE COURT: You've been charged in a felony complaint, 2005NY053898, with the Class E felony of Violation of the General Business Law, Section 340 and 341, that being a conbination of restraint of trade.

You have a right - - before you can be prosecuted for that felony, you have a right to have that case presented to a Grand Jury. A person cannot be prosecuted for a felony in New York unless a Grand Jury has met.

A Grand Jury consists of twenty-three citizens meeting in secret.

If twelve of them find, based on competent, legal evidence, legally sufficient evidence, that there's reasonable cause to believe that you've committed a felony, then they go ahead and vote an indictment. If they fail to vote an indictment, then you cannot be prosecuted for that felony.

This is an important and valuable

right.

The law permits to you waive that right, if you so choose. If you waive that right, then means you're consenting to be prosecuted by a Superior court Information, a piece of paper, having been filed by the Attorney General's Office, which charges you with that same felony offense.

Have you discussed all of this with your attorney?

THE DEFENDANT: Yes, I have, your Honor.

THE COURT: And are you satisified with the work Mr. Fishman has done as an attorney for you?

THE DEFENDANT: Yes, I am.

THE COURT: And is it your desire to waive a presentation to a Grand Jury?

By the way, you have a right to testify in front of that Grand Jury. You have a right, as well, to ask that they hear from witnesses or see evidence that you produce, as well.

Is it your desire to waive the presentation to a Grand Jury, to waive the requirement that an indictment be voted and, instead, consent to be prosecuted by a filed Superior Court Information?

THE DEFENDANT: Yes, your Honor.

THE COURT: If that's what you want to do, then go ahead and signe the waiver that is before you.

(Defendant and counsel execute the waiver.)

(Handed to Mr. Roe.)

(Waiver executed by Mr. Roe.)

(Handed to the Court.)

THE COURT: All right.

Mr. Bott, Mr. Fishman and Mr. Roe having signed this waiver in open court and in my presence, I am now signing it.

Okay.

Mr. Bott, the People have filed a Superior Court Information 3931 of 2005, charging you with a Class E felony of Violation of the General Business Law, Sections 340 and 341, that being a conbination of restraint of trade.

How do you plead to that charge?

THE DEFENDANT: Not guilty.

THE COURT: Now I've been handed a written agreement, a five page agreement, that was signed at the bottom.

Is that your signatures at the bottom of that agreement?

THE DEFENDANT: Yes, your Honor.

THE COURT: Before you signed that agreement, did you discuss it with your attorney and do you have any questions about it?

THE DEFENDANT: I did discussion it with my attorney; I have to questions.

THE COURT: Okay. Is that your understanding?

THE DEFENDANT: Yes, your Honor.

THE COURT: In there you have offer to plead guilty to the as Class A midemeanor, a lesser included offense, of attempted Violation of General Business Law, under Section 340 of the General Business Law, that being acting in a combination of restraint of trade.

Is that your desire, to plead guilty to that Class A misdemeanor?

THE DEFENDANT: Yes, it is, your Honor.

THE COURT: When you signed that agreement, is that your understanding of the entire agreement that induced you to enter that plea of guilty?

THE DEFENDANT: Yes, it is, your Honor.

THE COURT: Has anyone made any other promises or threats to make you plead guilty?

THE DEFENDANT: No, sir.

THE COURT: Do you understand by pleading guilty you're giving up your right to trial?

At a trial, the People would have to prove your guilty beyond a reasonable doubt to the unanimous satisfaction of twelve jurors; you'd have a right to testify; a right to call witnesses to testify for you; a right to have your attorney cross examine, ask questions, of the People's witnesses; a right to remain silent.

Because you're pleading guilty, you're going to give up all those rights.

Is that what you want to do?

THE DEFENDANT: Yes, sir.

THE COURT: As well, pursuant to the terms of that agreement, you have agrede to a couple of other thing. I'm not going to go through the whole agreement.

But some of the more noteable points are as follows:

You agreed to waiver appeal to any higher court with regard to any of the other issues in this case.

Is that what you want to do?

THE DEFENDANT: Yes, sir.

THE COURT: You agreed that you would have - - that you would consent to a deferral of the sentence date in this case until the People have concluded their investigation in related matters here and not complain about the fact that you weren't sentenced promptly.

Is that what you want to do?

THE DEFENDANT: Yes, sir.

THE COURT: You agreed to make yourself available to the People in this case, both in their further investigation and, if necessary, to testify either in the Grand Jury or at trial; and at all times you'll answer questions, waive your right, your privilege against self-incrimination with regard to related matters here; and at all times you'll answer all questions truthfully and honestly.

As well, you rocognize that under this agreement I could sentence you to as much as one year in jail.

However, what I'm going to do is defer sentence. I'll listen to the People with regard to your compliance with the terms of this agreement, I'll listen to your attorney, I'll listen to you and then I'll decide what sentence to impose.

It could be a year in jail; it could be a lesser term. It could be a non-incarceratory sentence; it could be a fine; it could be Probation, community service, a conditional discharge, restitution. All of those are the possibilities available to me.

Is that your understanding of the promise in this case.

THE DEFENDANT: Yes, it is, your Honor.

THE COURT: I want you to raise your right hand.

Do you swear that the statement that you're about to make is the truth, the whole truth and nothing but the truth, so help you God?

THE DEFENDANT: Yes.

THE COURT: Look at paragraph 3.

(Defendant complies.)

THE DEFENDANT: Yes.

THE COURT: If it's completely accurate, please it out loud. If you have any questions or reservations about - -

MR. FISHMAN: I'm sorry; paragraph 3, Judge.

THE COURT: Paragraph 3?

You changed the numbers on it?

MR. ROE: Yes, your Honor.

THE COURT: Look at paragraph 3.

THE DEFENDANT: Yes.

THE COURT: If it's completely honest and accurate, read it out loud, slowly, for the Reporter.

THE DEFENDANT: Okay.

From about January, 2001, to about June, 2005, I was an Assistant Vice President Underwriter in the Excess Casaulty Division at Liberty International Underwriters, an insurance company in Manhattan. As an underwriter at Liberty, I had the primary relationship with Marsh Global Broking, a subsidiary of Marsh and McLennan Companies, Inc., an insurance brokerage base in Manhattan.

In many instances during this time period, brokers at marsh instructed me to submit protected quotes on certain pieces of business where Marsh had predetermined which insurance carrier would win the bid. Such quote were sometimes referred to as "B quotes, "back-up quotes," and "alternative leads."

Excuse me.

I understood that such quotes were intended to allow Marsh to maintain control of the market and to protect the incumbent. This could be accomplished by either bidding at a higher price than the incumbent or providing less attractive terms for the insurance program. On such occasions, brokers at Marsh would give me either the incumbent's bid, a specific target or a range within which to bid. On these occasions, I understood that this bid had to be less favorable than the incumbent's bid.

I complied with these requests by submitting such quotes, which had the effect of allowing Marsh to obtain property in the form of millions of dollars in commissions and fees from each of numerous policyholders and insurance companies.

Likewise, during this time, I understood that Liberty benefited from this scheme when liberty submitted a "B quote" on the lead layer of insurance. Marsh often allowed Liberty either to renew its place on the excess layer or to gain new business.

THE COURT: All right; thank you.

I'm going to adjourn this to September 29th.

If the matter is not concluded and you both agree upon an adjourned date, the defendant will be excused and you can just call for the adjourned date.

MR. FISHMAN: Thank you, Judge.

THE COURT: Thank you.

MR. ROE: Thank you.

I'll file a copy of the agreement with the Court, along with the S.C.I.

THE COURT: Thank you.

COURT CLERK: R.O.R., Judge?

THE COURT: Yes.

MR. FISHMAN: Thank you, your Honor.

THE DEFENDANT: Thank you, Judge.

MR. ROE: Thank you, Judge.

(Whereupon, the proceedings were adjourned until September 29th, 2005, at nine-thirty a.m.)

* * *

Certified to be a true
aEnd accurate transcript. JOSEPH V. CONNOLLY

**EXHIBIT 8**

From: Greg J Doherty
Sent: Wednesday, March 26, 2003 8:58 AM
To: [redacted]@LibertyInternational.com@Internet @ MMC_CDS
Subject: Re: [redacted]- Liberty Response

see below and I will talk to you later.
03/26/2003 09:57 AM

---------------------- Forwarded by Greg J Doherty/NYC-NY/US/Marsh/MMC on 26 Mar 2003, 09:57 Wednesday ----------------------

Edward Keane on 26 Mar 2003, 09:48 Wednesday

To: Greg J Doherty
cc:
Subject: Re: [redacted]- Liberty Response

Doherty. -

I need a B quote from Liberty. I finally had AIG agree to write this thing at the target.

Have Liberty come in around $175,000. E-Mail indication would be fine.

Thanks.

Ed

<<< Memo from Edward Keane/NYC-NY/US/Marsh/MMC on 25 March, 2003, 14:01 Tuesday >>>

Edward Keane on 25 Mar 2003, 14:01 Tuesday
To: Greg J Doherty
cc:
Subject: Re: [redacted] - Liberty Response

Greg -

Please have them quote without Personal attached.

Thank You.

Ed

<<< Memo from Greg J Doherty/NYC-NY/US/Marsh/MMC on 24 March, 2003, 17:45 Monday >>>
From Greg J Doherty on 24 Mar 2003, 17:45 Monday
To: Edward Keane.
cc:
Subject: [redacted] - Liberty Response

Liberty is out on the personal lines attachments. Will look at it without.

Greg

EXHIBIT 9

From: Edward Keane
Sent: Thursday, March 27, 2003 7:58 AM
To: Greg J Doherty; [redacted]
Cc: Marie Hulin
Subject: Merle Norman

Greg & [redacted]

The Client is looking for options from the CA and we are still waiting for B Quotes from Liberty & Zurich. Please have your markets get us an e-mail indication ASAP. AIG hit our target at $140,000. We need these quotes from Zurich and Liberty to strengthen AIG's quote.

Thanks!

Ed



2432215

EXHIBIT 10

**From:** [redacted]
**Sent:** Tuesday, October 09, 2001 2:43 PM
**To:** Joshua Bewlay
**Subject:** RE: [redacted]

**Start Time:**

Required Attendees: CN=Joshua Bewlay/OU=NYC-NY/OU=US/OU=Marsh/O=MMC@MMC

Josh:

Does the insured perform any residential homebuilding in the states of Arizona, California, Colorado or Nevada?
If so , Liberty would have to decline on quoting this altogether due to treaty exclusion.
Please advise.
Thanks.

10/09/2001 04:41 PM

-------------- Forwarded by [redacted]/NYC-NY/US/Marsh/MMC on 9 Oct 2001, 16:41 Tuesday
--------------

Kevin.Bott@LibertyInternational.com on 9 Oct 2001, 16:36 Tuesday

To: [redacted]
cc:
Subject: RE: [redacted]

I would love to simply sign a quote protecting AIG however I need
the following question(s) answered:

1) Does the insured perform any residential homebuilding in the states of Arizona, California, Colorado or Nevada?

If so, we would need to decline due to class of business/treaty exclusion.

Await your advice.

KB

PS - I guess this one got lost in the shuffle. sorry.

-----Original Message-----
From: [redacted] [mailto:[redacted]@marshmc.com]
Sent: Tuesday, October 09, 2001 4:07 PM
To: Bott, Kevin (New York-LIU)
Subject: RE: [redacted]

Dude:

I sent this to you on 10/1/01. This is the one that NJ should have sent to you.
It would be so much easier if you could just e-mail me a number that

would be great.
They are a real estate development out Los Angeles. If you really need a protective quote
I will have to do it tomorrow. Josh is just looking for an e-mail at this point. If you want to quote
$125,000 that sounds good.

<<< Memo from Kevin.Bott@LibertyInternational.com on 09 October, 2001, 16:01 Tuesday >>>

Kevin.Bott@LibertyInternational.com on 9 Oct 2001, 16:01 Tuesday

To: [redacted]
cc:
Subject: RE: [redacted]

[redacted]

I don't think after looking at my submission activity this one came up.

Having said that, what do they do?

[redacted]

Let me know.

KB

-----Original Message-----
From: [redacted] [mailto:[redacted]@marshmc.com]
Sent: Tuesday, October 09, 2001 3:55 PM
To: Bott, Kevin (New York-LIU)
Subject: [redacted]
Importance: High

KB:

You have this submission. Can you please e-mail me a lead protective quote for the $25MM.
Thanks.
10/09/2001 03:53 PM

---------------------- Forwarded by [redacted]/NYC-NY/US/Marsh/MMC on 9 Oct 2001, 15:53 Tuesday ----------------------
From Joshua Bewlay on 9 Oct 2001, 15:31 Tuesday

To: [redacted]
cc: [redacted]
Subject: [redacted]

I need you to email me Type B indications from Liberty and Zurich on a lead $25 million.

AIG came in at $79,750 for 25 x p. (This is a huge Real estate risk in LA.)

There are only 9 vehicles and 45 employees.

Please have Zurich and Liberty email you some numbers.

Josh

To: [redacted]/NYC-NY/US/Marsh/MMC@MMC
cc: [redacted]/NYC-NY/US/Marsh/MMC
From: [redacted]/NYC-NY/US/Marsh/MMC

To: [redacted]/NYC-NY/US/Marsh/MMC@MMC
cc:
From: Kevin.Bott@LibertyInternational.com

To: [redacted]/NYC-NY/US/Marsh/MMC@MMC
cc:
From: Kevin.Bott@LibertyInternational.com

**EXHIBIT 11**

Edward Keane on 10 Apr 2003, 14:27 Thursday

**To:** [redacted]
**cc:** [redacted]
**Subject:** USS POSCO

[redacted]

Per our conversation, I will need B Quotes from Liberty and ACE Excess. Zurich has quoted $25mm x $25mm for $163,000, so please have ACE and Liberty provide e-mail indications.

Thank You.

Ed

**All Recipients**
**To:** [redacted]/NYC-NY/US/Marsh/MMC@MMC
**cc:** [redacted]/NYC-NY/US/Marsh/MMC
**From:** Edward Keane/NYC-NY/US/Marsh/MMC

EXHIBIT 12

Edward Keane on 11 Apr 2003, 14:12 Friday

To: [redacted]
cc: [redacted]
Subject: RE: USS POSCO

---

[redacted]

Please see Liberty's indication.

Please advise of any questions or comments.

Thank You.

Ed

---------------------- Forwarded by Edward Keane/NYC-NY/US/Marsh/MMC on 11 Apr 2003, 14:09 Friday ----------------------

From [redacted] on 11 Apr 2003, 11:53 Friday
To: Edward Keane
cc:
Subject: RE: USS POSCO

Ed:

Please see the below indication from Liberty w/respect to the $25MM xs $25MM layer. I await your advices.

[redacted]

---------------------- Forwarded by [redacted]/NYC-NY/US/Marsh/MMC on 11 Apr 2003, 11:53 Friday ----------------------

Kevin.Bott@libertyiu.com@Internet on 11 Apr 2003, 11:50 Friday

To: [redacted]
cc:
Subject: RE: USS POSCO

[redacted]

We can provide you with the following relative to the captioned account as follows:

$25mm x $25mm @ $195,000

TRIA of 2002 - Terrorism coverage is offered in accordance with the Terrorism Risk Insurance Act of 2002. The Terrorism premium allocation $10,000, which is included in the Annual Premium above. The attached TRIA Form must be signed and returned to binding.

Terms: Following Form AIG's noted in their Binder Confirmation dated 2/28/2003 by Melena Onega.

Please advise if this option will be viable option.

Await your further advices.

Regards,

---

KB

Kevin M. Bott
Assistant Vice President
Excess Casualty Division
Liberty International Underwriters
55 Water Street
New York, NY 10041
(212) 208-4143 - Direct
(212) 208-4111 - Fax

Thanks KB, I truly just need to get your indication for the $25MM xs $25MM - Zurich quoted it for $163,000. Please call me with any questions.

[redacted]

---



---

To: [redacted]/NYC-NY/US/Marsh/MMC@MMC
cc:
From: Kevin.Bott@LibertyIU.Com@Internet

**EXHIBIT 13**

From: [redacted]
Sent: Monday, September 30, 2002 6:45 PM
To: kevin.bott@libertyinternational.com@internet
Subject: [redacted]

KB,

Please provide us with a supportive quote for the $40MM xs $25MM ([redacted] Zurich layer). They quoted $215,000.

[redacted]

Any questions, please call me.

Thanks a million! [redacted]

**EXHIBIT 14**

From: Kevin.Bott@libertyiu.com@Internet
Sent: Monday, September 30, 2002 1:09 PM
To: [redacted]/NYC-NY/US/Marsh/MMC@MMC
Cc: [redacted]/NYC-NY/US/Marsh/MMC@MMC
Subject: RE: [redacted]

C.htm (2 KB)

<http://skins.hotbar.com/skins/mailskins/em/033102/033102bebe_1_prv.gif>
Sorry goldy, can't help you on this one...I'm crushing[redacted]umber

-----Original Message-----
From: [redacted]@marsh.com [mailto:[redacted]@marsh.com]
Sent: Monday, September 30, 2002 2:45 PM
To: kevin.bott@libertyinternational.com
Subject: [redacted]

KB,

Please provide us with a supportive quote for the $40MM xs $25MM ([redacted] Zurich layer). They quoted $215,000.

[redacted]

Any questions, please call me.

Thanks a million! [redacted]

---

<http://promos.hotbar.com/promos/promodll.dll?RunPromo&El=em%3bhotbar%5felem
ent%3b&SG=&RAND=1>

---



---

EXHIBIT 15

**From:** Kevin.Bott@libertyiu.com@Internet
**Sent:** Monday, September 30, 2002 1:12 PM
**To:** [redacted]/NYC-NY/US/Marsh/MMC@MMC
**Subject:** RE: [redacted]

[redacted]

Please be advised that we can offer the following indication relative to the captioned account:

$40mm x $25mm @ $325,000

NET

Terms: To be advised upon receipt and acceptable review of the lead umbrella.

Should you have any questions, give me a call.

Regards,

Kevin