

## SETTLEMENT AGREEMENT

Plaintiff, the People of the State of Illinois, *ex rel.* Lisa Madigan, Attorney General of the State of Illinois ("Plaintiff") and defendants Acordia, Inc., Wells Fargo Insurance Services, Inc., Wells Fargo Insurance Services of Illinois, Acordia of Illinois, Inc., and Insurance Risk Managers, Ltd. ("Defendants") (Plaintiff and Defendants collectively, the "Parties"), hereby enter into the following Settlement Agreement (the "Settlement Agreement" or "Agreement").<sup>1</sup>

### RECITALS

WHEREAS, the Parties are engaged in litigation in the Circuit Court of Cook County, Illinois, Case No. 06 CH 27684 (the "Action"); and

WHEREAS, Defendants are engaged in the insurance business and in connection therewith from time to time accept certain compensation from insurance companies; and

WHEREAS, Plaintiff alleges in the First Amended Complaint in the Action, dated January 22, 2008, that Defendants violated certain provisions of the Illinois Consumer Fraud and Deceptive Business Practices Act (the "Consumer Fraud Act") by engaging in the following conduct (hereinafter the "Covered Conduct"): from 1999 through the Effective Date, Defendants engaged in improper and unfair conduct with respect to contingent commission agreements with insurance carriers, including that Defendants steered Illinois customers to insurance carriers with which Defendants had contingent commission agreements and failed to disclose to Illinois customers the terms and conditions of their contingent commission agreements with insurers, despite Defendants' actual knowledge that those omissions were misleading and deceptive; and

WHEREAS, Defendants deny Plaintiff's allegations that they violated certain provisions of the Consumer Fraud Act, and deny all claims or potential claims by Plaintiff of wrongdoing and liability whatsoever;

WHEREAS, the Parties state that they have agreed to compromise and settle the Action (i) to avoid the substantial burden, expense, and uncertainties that would be involved in litigating the Action to a conclusion, and (ii) to release claims in the Action and arising out of the Covered Conduct as set forth below; and

WHEREAS, the Parties and their counsel believe that the terms and conditions of this Settlement Agreement are fair, reasonable, adequate, and proper, and acknowledge that this Settlement is a result of arm's-length negotiations between the Parties;

NOW, THEREFORE, in consideration of the mutual promises and agreements, covenants, representations, and warranties set forth herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound;

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<sup>1</sup> Capitalized terms not otherwise defined shall have the meanings set forth in paragraph 1 below.

IT IS HEREBY STIPULATED AND AGREED, by and among Plaintiff and Defendants, that the Released Claims are settled, compromised, and released as set forth below, and that the Action shall be dismissed with prejudice, without fees or costs, on the following terms and conditions:

**ADDITIONAL DEFINITIONS**

1. The following additional definitions shall apply in this Settlement Agreement:

A. "Claims" means any and all civil and administrative claims, counterclaims, defenses, rights, demands, causes of action, suits, matters, and issues, whether known or unknown, suspected or unsuspected, or liquidated or unliquidated, including but not limited to all claims for costs and attorneys' fees.

B. The "Effective Date" of this Settlement Agreement shall be June 7, 2010.

C. "Released Claims" means any and all Claims that have been, might have been, or could be asserted by Plaintiff against the Released Parties arising out of the Covered Conduct. Released Claims do not include any claim to enforce the terms of this Settlement Agreement.

D. "Released Parties" means Defendants and Defendants' parents, subsidiaries, and related entities, and any of their respective current and past directors, officers, employees, owners, shareholders, agents, partners, successors, assigns and devisees.

**MUTUAL RELEASES; SCOPE AND EFFECT OF THE SETTLEMENT**

2. The obligations incurred pursuant to this Settlement Agreement shall be in full and final disposition of the Action and any and all Released Claims against each of the Released Parties.

3. Subject to the exceptions in paragraph 4 and subject to paragraph 6, as of the Effective Date of this Settlement Agreement, Plaintiff, on behalf of itself and its officers, agents, agencies, political subdivisions and departments (collectively, the "Releasers"), shall release, acquit, and forever discharge, and shall forever be enjoined from prosecution of, the Released Claims against any of the Released Parties. This release is intended to be a complete release of all Released Claims that are or were in existence on or prior to the Effective Date of this Settlement Agreement, and in the event of any dispute as to its meaning is to be so construed.

4. Notwithstanding any term of this Agreement, the Plaintiff specifically does not release any person or entity from any of the following claims or liabilities: (a) any criminal, civil or administrative claims arising under State revenue codes; (b) any criminal liability not specifically released by this Agreement; (c) any civil or administrative liability that the Released Parties have or may have under any state statute, regulation or rule not covered by this release; (d)

any liability for any conduct other than the conduct included within the Released Claims; (e) any claims based upon obligations created under this Agreement; (f) any conduct alleged in *People v. Wells Fargo and Company, et al.*, No. 09 CH 26434 (Cir. Ct. Cook Cty.); or (g) except as explicitly stated in this Agreement, any administrative liability.

### **SETTLEMENT CONSIDERATION**

5. *Economic Terms of the Agreement.* No Party shall make any monetary payments to another in connection with this Settlement Agreement. Each Party shall bear its own costs, expenses, and attorneys' fees in connection with the institution, prosecution, defense, litigation, and settlement of the Action.

6. *Dismissal of the Action against Defendants with prejudice.* Within 21 days following the Effective Date of this Settlement Agreement, Plaintiff will move to dismiss the Action with prejudice and with all parties to bear their own costs and attorneys' fees.

7. *Maintenance of Disclosures.* Defendants agree to continue to employ in all material respects the compensation disclosure practices for Illinois customers existing as of the effective date of this Agreement (the broker compensation disclosure forms used are attached as Exhibit A hereto) until June 30, 2014; provided, however, that Defendants may make material modifications to the current disclosure practices during that period upon receiving approval of the Illinois Department of Insurance and notification to the Office of the Attorney General.

8. In the event that Defendants settle with the State of Connecticut in the matter captioned State of Connecticut v. Acordia, Inc., HHD-CV-07-4027314-S (XO9), and as part of that settlement Acordia, Inc. agrees to more restrictions on the receipt of contingent commission compensation than are provided for in this Settlement Agreement and/or materially different disclosures than provided for in this Settlement Agreement, then Defendants agree that they will offer Plaintiff the opportunity to modify this Settlement Agreement to provide for comparable restrictions on the receipt of contingent commission compensation and/or changes to the disclosures.

9. *General.* This Settlement Agreement and the consideration therefor are given by the Parties in reliance upon the representations and warranties and in return for, and are contingent upon, the releases set forth above, which releases no longer may be challenged by any Party, and upon the representations and warranties set forth throughout this Settlement Agreement.

10. This Settlement Agreement, and any of its terms, any agreement or order relating hereto, and any payment or consideration provided for herein, are not and shall not be construed as an admission by the Defendants of any fault, wrongdoing, or liability whatsoever. This Settlement Agreement, and any of its terms, and any agreement or order relating hereto, shall not be deemed to be, or offered by anyone to be received in evidence in any arbitral, civil, administrative, or other proceeding, or utilized in any manner whatsoever as, a presumption, a

concession, or an admission of any fault, wrongdoing, or liability whatsoever on the part of Defendants or any other party; provided, however, that nothing contained in this paragraph shall prevent this Settlement Agreement or any agreement or order relating hereto from being used, offered, or received in evidence in any proceeding to enforce or otherwise effectuate the Settlement Agreement or any agreement or order relating hereto.

#### **ADDITIONAL TERMS**

11. The Parties warrant that they are each represented by competent counsel with respect to the Action and this Settlement Agreement; each Party has been fully advised by counsel with respect to its rights and obligations and with respect to the execution of this Settlement Agreement; and each Party authorizes and directs its respective attorneys to execute such papers and to take such other action as is necessary and appropriate to effectuate the terms of this Settlement Agreement.

12. This Settlement Agreement contains the entire agreement among the Parties with respect to the subject matter hereof and supersedes any prior written or oral agreements, negotiations, representations, warranties, or statements, all of which are without effect and may not be used for any purpose whatsoever. No representation, warranty, covenant, or inducement has been made to any Party concerning this Settlement Agreement, other than the representations, warranties, covenants, and inducements contained herein. This Settlement Agreement may not be altered, modified, or amended, or any of its provisions waived, except by a writing, executed by counsel for all of the Parties hereto.

13. The failure of any Party to enforce at any time any provision of this Settlement Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Settlement Agreement or any part hereof, or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Settlement Agreement shall be held to constitute a waiver of any other breach.

14. The section headings used throughout this Settlement Agreement are for convenience only and shall not affect the interpretation or construction of this Settlement Agreement.

15. In the event any court, arbitrator, or other adjudicative body of competent jurisdiction is called upon to interpret this Settlement Agreement, the language of this Settlement Agreement shall be construed as a whole, according to its fair meaning and intent, and not strictly for or against any Party, regardless of which Party drafted or was principally responsible for drafting the Settlement Agreement or any specific term or condition hereof. As such, the Settlement Agreement shall be deemed to have been drafted by all Parties jointly, and no Party or group of Parties shall be deemed to have drafted this Settlement Agreement, or any of its individual terms or conditions. No Party may offer in evidence or otherwise use, for purposes of suggesting any interpretation of this Settlement Agreement, any prior drafts of this Settlement Agreement.

16. If any provision of this Settlement Agreement is held to be void, illegal, or unenforceable by any court or other adjudicative body of competent jurisdiction, that provision shall be deemed severed and the Settlement Agreement shall be construed without reference to the severed provision.

17. Nothing in this Settlement Agreement, or the negotiations or proceedings relating hereto, is intended to be, or shall be deemed to constitute, a waiver of any applicable privilege or immunity, including, without limitation, the attorney-client privilege, the common interest privilege, and the work product immunity.

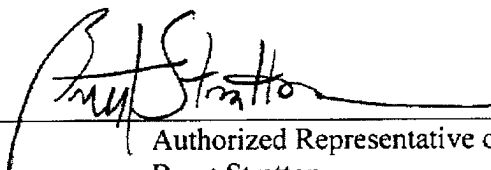
18. This Settlement Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois relating to contracts made and wholly to be performed in Illinois, and without regard to any otherwise applicable rules or principles governing choice of law.

19. This Settlement Agreement may be executed in one or more counterparts, all of which shall be considered the same as if a single document shall have been executed.

\* \* \*

PLAINTIFF AND DEFENDANTS STATE THAT THEY (1) HAVE READ THE FOREGOING; (2) UNDERSTAND EACH OF THE TERMS OF THE AGREEMENT; (3) HAVE ENTERED INTO THE AGREEMENT KNOWINGLY AND VOLUNTARILY; AND (4) INTEND TO BE BOUND BY THE AGREEMENT.

Dated: June 7, 2010



Authorized Representative of Plaintiff  
Brent Stratton  
Assistant Chief Deputy Attorney General  
Office of the Illinois Attorney General  
Attorney General Lisa M. Madigan

Dated: June 7, 2010



Authorized Representative of Defendants  
Scott Isaacson  
Executive Vice President  
Wells Fargo Insurance Services of Illinois

# EXHIBIT A

[Date]

[Mailing address]

Dear [customer name],

On behalf of our professional team I appreciate the opportunity for us to share potential insurance solutions with you and thank you for entrusting Wells Fargo Insurance Services with the possible management of your insurance. We take great care to provide a customer service experience that includes open communication and drive to exceed your expectations. With this service, it is our practice to disclose to you how we are compensated.

Enclosed you will find an insert which details the manner in which we are compensated. As a customer you will receive this annually. It provides you with the opportunity to obtain additional information if you choose and tells how to contact us. Once you have read the information provided, please let us know if you have any questions.

It is our pleasure to serve you We look forward to a long and mutually beneficial relationship.

Sincerely,

[Managing Director]



### Compensation Disclosure

## Our commitment to customers on disclosure

### Information about the compensation earned by Wells Fargo Insurance Services USA, Inc.

We want you to understand how we are compensated for the services we provide and give you the opportunity to request specific information about your insurance policies.

#### How we are paid

We receive compensation from the insurance companies we represent when placing your insurance. Our compensation is usually a percentage of the premium you pay for your insurance policy or bond (a "commission"), which is paid to us by the insurance companies for placing and servicing your insurance or bonds with them. We also may receive fees agreed to in writing from our customers. Intermediaries, such as wholesale brokers, may sometimes be used to access certain insurance companies. Such intermediaries will allocate a portion of the compensation from the insurance companies to us and may, in some cases, be an affiliated company.

We receive payments from insurance companies to defray the cost of services provided for them, including advertising, training, certain employee compensation, and other expenses.

Consistent with longstanding industry practice, we may earn interest on premiums received from you and forwarded to the insurance companies through our bank accounts. We may also earn interest when the insurance company issues you a refund and that refund is processed

through our bank accounts. We retain the interest earnings on our bank accounts.

Some of the insurance companies we represent may pay us additional commissions, sometimes referred to as contingent or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time.

The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly.

#### What if I want more information?

At your request, we can provide a complete list of your active insurance policies. We can also provide you a detailed statement regarding our compensation on your account and how the compensation is calculated. You can also ask questions about our relationship with the insurance companies we represent on your account or about any of the information in this communication.

Your local Wells Fargo Insurance Services professional is available to assist you Monday through Friday. You may also contact us at any time via e-mail using our Web site at [www.wellsfargo.com/wfis](http://www.wellsfargo.com/wfis). Click on the "Contact Us" link on the homepage.

Thank you again for choosing us for your insurance needs.

### How can we help?

Call today or visit us at [wellsfargo.com/wfis](http://wellsfargo.com/wfis)

Insurance products are offered through non-bank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies.

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Together we'll go far





Date

Customer name  
Address  
City, State ZIP

Dear Customer name

In response to your request for more information regarding your insurance policies, attached is a detailed summary of your policies including commissions received by Wells Fargo Insurance Services.

Standard commissions are a percentage of the premium, paid from one or more insurance companies for placing and servicing your insurance or bonds with them. The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly.

**Include the following bracketed paragraphs as appropriate to your customer. Delete instructions and paragraphs that do not apply.**

[Some of the insurance companies we represent may pay us additional commissions, sometimes referred to as contingent, supplemental, or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time.]

**This paragraph only applies to New York domicile customers. Delete instructions and paragraph if it does not apply.**

[Wells Fargo Insurance Services cannot alter the amount of compensation received from the insurer. Insurance companies determine the amount of commission that is payable to an agent or broker for each of their insurance products.]

If you have any questions or would like additional information in regard to the attached policies, please contact me directly.

Thank you again for choosing Wells Fargo Insurance Services.

Sincerely,

MD name  
Managing Director  
Direct phone number  
E-mail address



## Wells Fargo Insurance Services

All instructions are highlighted in yellow – you must delete instructions before printing. The default on the legal entity is Wells Fargo Insurance Services USA, Inc. If you are operating in another legal entity, substitute the name of your legal entity in the form field.

### Client Service Agreement – Employee Benefits

This Client Service Agreement (“Agreement”) is made and entered into this date day of year (“Effective Date”), by and between Wells Fargo Insurance Services USA, Inc. having an office located at office address (“WFIS”), and insert customer name having an office located at customer office address (“Client”).

WHEREAS, WFIS is duly licensed to engage in the insurance business for the purposes set forth herein, and;

WHEREAS, Client desires to engage the services of WFIS upon the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

#### 1. LINES OF INSURANCE COVERAGE

This Agreement is entered into with respect to the following lines of insurance coverage and for which Client agrees to name WFIS as its Broker of Record:

[Insert lines of insurance coverage]

#### 2. SERVICES

WFIS agrees to provide to Client the following insurance brokerage services:

[See SAMPLE services list below. WFIS producer should select consulting and placement services as appropriate for each customer. It is important that all services that will be provided are included in the CSA. Do not include services that do not apply.

If your customer is domiciled in: Colo., D.C., Hawaii, Mont., N.C., N.D., Pa., S.C., S.D., Tenn., or W.Va. you CANNOT include any services that would be considered INSURANCE PLACEMENT AND SERVICES. That means you must delete the items below that are in BOLD RED FONT.

For all other customers, be sure to change the text in red font back to black and remove the bold]

##### Renewal

- Insert number meetings per year, including any combination of benefit manager sessions, executive director meetings and [location] specific meetings
- Resolution of aggregate factors (trend, expense, etc.)
- Rating by individual firm
- Plan design refinements, including evaluation of high deductible plans and HSAs
- Impact of large claims
- Allocation of rates for each location
- Ongoing meetings

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Client Service Agreement  
Employee Benefits

- **Three to five carrier meetings**

**Service areas**

- Claims utilization analysis, including generation and analysis of WFIS proprietary *Intelligence on Health* on a national basis and for each firm
- Case and disease management analysis, including establishing reporting on a [national, local] basis
- Strategic consulting and consumer driven programs, spending accounts, retiree health, wellness, outsourcing, voluntary benefits, and other environmental and specific strategies
- Claim experience updates
- **General servicing support**
- Customer problem resolution
- Strategic consulting
- Post placement contract review and interpretation
- Regulatory review and interpretation
- Conference calls
- Assistance with general health management communications

**Deliverables to be provided to Benefit Managers**

- Financial analysis comparing premiums to claims reports in aggregate for the [location] [timing]
- Utilization analysis (location and aggregate)
- *Intelligence on Health* annual reports
- **Plan design issues**
- Vendor implementation support
- Networks and provider management
- Service problems and support to each participating firm
- Vendor communications, including summary plan descriptions (SPDs) and contract language
- Benchmarking of costs and contributions
- Communication content support

**Marketing support services**

- Networking and referral assistance in your local area or industry
- **Follow-up correspondence**
- Annual National Benefit Survey

**3. COMPENSATION**

~~[Choose applicable compensation - delete those that do not apply.]~~

**Fee only**

WFIS will be compensated for the services through payment of a fee by Client to WFIS as outlined in this Agreement. The Insert "Annual" or delete fee will be \$Insert annual fee or hourly rate, payable and to be invoiced as follows, Insert invoice schedule.

**Fee and commission**

WFIS will be compensated for the services outlined in this Agreement through the payment of a fee in the amount of \$Insert annual fee or hourly rate by Client to WFIS, as well as the payment of commissions received from insurance companies. The commission is usually a percentage of the premium you pay for your insurance policy. It is paid by the insurance company for placing and servicing your insurance with them. WFIS will provide the amount of the standard commission to be paid by the insurer prior to the binding of the policy(s). The amount of premium you pay for a policy may change over the term of the policy. For example, the number of enrolled members will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly. ~~[If your customer is domiciled in one~~

~~of the following states you must add this sentence and complete Exhibit A: Alaska, Conn., Ga., Ill., Ind., Iowa, Kansas, Ky., La., Me., Mich., Minn., Mo., N.J., N.C., N.D., Pa., S.C., S.D., Tenn., Tex., Va., Wash., Wis. Delete the sentence and Exhibit in all other states.~~ The attached Exhibit A provides additional information on commissions and other compensation WFIS will receive for the policies subject to this Agreement.

**Fee offset by commission**

With respect to insurance placed by WFIS on Client's behalf, WFIS will disclose to Client any commissions received by WFIS and credit them against the Insert "annual" or delete fee if permitted by law. Excess commissions will be carried forward and applied against WFIS' Insert "annual" or delete compensation for subsequent years to the extent permitted by law.

**Contingent, supplemental, or bonus commissions ~~[Must always be included]~~**

Some of the insurance companies WFIS represents may pay it additional incentive commissions, sometimes referred to as contingent, supplemental, or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time. Such additional commissions would be in addition to any other compensation WFIS may receive. At your request, WFIS will provide you with a detailed statement regarding our compensation on your account and how the compensation is calculated. ~~[ADD the following sentence only if the carriers for your client do not pay contingent or bonus compensation or your customer has asked to "opt out" of contingency or bonus; otherwise delete the sentence.]~~ Please be advised that WFIS will not be accepting incentive commission on the lines of insurance coverage subject to this Agreement.

**Miscellaneous sources of compensation ~~[Must always be included]~~**

In addition to the foregoing, WFIS may also receive income from the following sources:

- Interest earned on premiums received from you and forwarded to the insurance company through WFIS' bank accounts.
- Payments from insurance companies to defray the cost of services provided for them, including advertising, training, certain employee compensation, and other expenses.

In the event there is a significant change in Client operations which affects the nature and scope of its insurance requirements, the parties agree to renegotiate WFIS' compensation as appropriate.

~~[ADD the following sentence only for customers domiciled in Colo., D.C., Hawaii, Mont., N.C., N.D., Pa., S.C., S.D., Tenn., W.Va. as you CANNOT include any services that would be considered INSURANCE PLACEMENT AND SERVICES. Delete this sentence for all other customers.]~~ Insurance placement and servicing will be provided to the Client and WFIS will not receive commissions for that placement and those services.

**4- BROKERAGE INTERMEDIARIES**

WFIS may utilize the services of other intermediaries, such as wholesale brokers, excess and surplus lines brokers, reinsurance intermediaries and underwriting managers, to assist in the marketing of your insurance coverages, when in WFIS' professional judgment those services are necessary. Depending on the circumstances involved, it may be necessary to use an intermediary affiliated with WFIS. The compensation of such intermediaries is not included in WFIS' compensation under this Agreement and will be paid by insurers out of paid premiums. The compensation paid to WFIS' affiliates will be disclosed to you prior to binding any coverages on your behalf.

**5- TERM AND TERMINATION**

The term of this Agreement shall commence on Insert date and shall terminate SELECT one (1) year, two (2) years, or three (3) years thereafter. The term may be extended by mutual written agreement of the parties. In the event of termination, WFIS will assist Client in arranging a smooth transition

process. However, WFIS' obligation and the obligation of its affiliates to provide services to Client will cease upon the effective date of termination, unless otherwise agreed in writing.

Notwithstanding the term of this Agreement, either party shall have the right to terminate this Agreement upon 90 days' prior notice to the other. In the event of termination by Client prior to expiration, WFIS' Insert "Annual" or delete compensation will be deemed earned according to the following schedule:

[Note to WFIS' Finance: The following compensation scale is only a guide to assist in negotiations with the Client. Our compensation may be deemed fully earned at inception or the following schedule can be considered]

- 60% at inception
- 75% after four months
- 100 % after seven months

**6. ACCURACY OF INFORMATION**

WFIS' ability to provide Client with the services outlined in paragraph 2 above is conditioned upon WFIS' receipt of accurate and timely information from Client. WFIS will not independently verify or authenticate information provided by or on behalf of you. You shall be solely responsible for the accuracy and completeness of such information and other documentation furnished to WFIS.

**7. ADDITIONAL SERVICES**

Additional services are available for additional compensation and subject to the negotiation of separate agreements or by addendum to this Agreement. Such services include, but are not limited to:

- Member Services Call Center
- Human resources advisory services
- Claims audits
- Actuarial services
- Employee communications
- Interactive online customer services
- Non-benefits insurance brokerage, risk management, and risk financing advice
- Executive benefits

**8. BOOKS AND RECORDS**

Client is entitled to copies of reports prepared by WFIS hereunder, contracts between Client and its carriers and administrators to the extent such contracts are in WFIS' possession and control, and communications between WFIS and Client's insurance carriers and employee benefits providers to the extent such books and records are maintained by WFIS with regard to its performance under this Agreement.

**9. MISCELLANEOUS**

WFIS is not named a fiduciary with respect to any plan for which it may provide services. It is not intended by the Customer or WFIS that any services performed by WFIS under this agreement shall include any fiduciary duties or make WFIS a fiduciary of any plan maintained by the Customer.

In order to provide the services identified herein, it may be necessary for WFIS to receive from Client, or from a party on your behalf, information of a personal nature that may be protected by various federal and state privacy or other laws. WFIS advises that Client consult with its legal counsel as to how these laws impact you and your employees, Client's plan, and our contemplated engagement. It is understood that Client, or a party on your behalf, have the right and authority to disclose an individual's protected health information to WFIS for WFIS' use in performing its services for you and your employees. It is further understood that WFIS' use of this information to perform services for you and your employees does not violate any privacy notice issued by us or a benefit program you maintain, or any applicable law.

Moreover, since WFIS is not engaged in the practice of law and the services provided hereunder are not intended as a substitute for legal advice, WFIS recommends that Client secure the advice of competent legal counsel with respect to any legal matters related to any plan subject to this agreement.

**10. ENTIRE AGREEMENT**

This Agreement contains the entire understanding of the parties with respect to the subject matter contained herein, superseding all prior agreements, understandings, and negotiations with respect to such matters. This Agreement may be modified or otherwise amended and the observance of any term of this Agreement may be waived only if such modification, amendment, or waiver is in writing and signed by the party to be charged with same. This Agreement shall be binding upon and inure to the benefit of the parties' respective successors. Neither party shall have any liability for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, including, without limitation, acts of God, fires, floods, earthquakes, acts of war or terrorism, civil disturbances, sabotage, accidents, unusually severe weather, governmental actions, power failures, computer/network viruses that are not preventable through generally available retail products, catastrophic hardware failures, or attacks on its server. The parties further agree that neither party shall have any liability for indirect, special, punitive, consequential, or incidental damages, including, without limitation, loss of profits.

**11. GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of the Insert State or Commonwealth of Insert state where your office is located.

**12. SELECTION OF ISSUING INSURANCE COMPANY**

WFIS has no ownership interest in and is not under common control with the insurance company that is issuing the lines of insurance coverage described in this Agreement. WFIS represents the insurance company for the placement of insurance and provides related services to the client on behalf of the insurer.

IN WITNESS THEREOF, the parties have hereunto set their hands on the date and year first above written for the purposes set forth in this Agreement:

Wells Fargo Insurance Services USA, Inc.

Insert Client name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title





## Wells Fargo Insurance Services

All instructions are highlighted in yellow – delete instructions before printing. The default on the legal entity is Wells Fargo Insurance Services USA, Inc. If you are operating in another legal entity, substitute the name of your legal entity in the form field.

### Client Service Agreement – Property & Casualty

This Client Service Agreement (“Agreement”) is made and entered into this        day of        (“Effective Date”), by and between Wells Fargo Insurance Services USA, Inc. having an office located at Office address (“WFIS”), and insert Client name having an office located at Client address (“Client”).

WHEREAS, WFIS is duly licensed to engage in the insurance business for the purposes set forth herein, and;

WHEREAS, Client desires to engage the services of WFIS upon the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

#### 1. LINES OF INSURANCE COVERAGE

This Agreement is entered into with respect to the following lines of insurance coverage and for which Client agrees to name WFIS as its Broker of Record:

**[Insert lines of insurance coverage]**

#### 2. SERVICES

WFIS agrees to provide to Client the following insurance brokerage services:

**[See SAMPLE Service list. WFIS producer to select insurance brokerage and placement services as appropriate for each customer. It is important that all services that will be provided are included in the CSA. Do not include services that do not apply. Be sure to confirm that claims and risk consulting have agreed to the fees and services provided by them.]**

**If your customer is domiciled in: CO, DC, FL (P&C only), HI, MT, NC, ND, PA, SC, SD, TN, WV you CANNOT include any services that would be considered INSURANCE PLACEMENT AND SERVICES. That means you must delete the items below that are in BOLD RED FONT.**

**For all other customers, be sure to change the text in red font back to black and remove the bold]**

#### Risk Management

- Hold meetings to understand Client’s culture and strategic risk management objectives
- Complete risk identification, risk assessment, risk program design, and implementation of risk management program
- Conduct exposure analysis
- Quantify risk retention and appetite
- Conduct an insurance program audit – review existing insurance program

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Client Service Agreement  
Property & Casualty

- Analyze current insurance program and make recommendations for program enhancements and potential savings
- Review coverage and marketing strategy
- **Hold a final discussion of coverage and marketing strategy**
- Establish risk management and risk control program for claims, loss control, and RMIS
- **Establish account service plans**
- **Establish and/or coordinate carrier service plans**
- Provide benchmarking data
- Provide merger and acquisition due diligence
- Provide network security consulting

**Marketing**

- **Develop insurance specifications**
- **Develop underwriting submission**
- **Market insurance program to appropriate carriers**
- **Negotiate and analyze program, and make program recommendations**
- **Evaluate and select carriers**
- **Present proposal and recommendations for placement**
- **Place and implement selected program**

**Ongoing**

- **Prepare for monthly meeting attendance and follow-up related to placement and servicing of insurance**
- **Hold monthly review meetings, or as needed related to placement and servicing of insurance**
- Hold an annual stewardship meeting
- Oversee the quality and success in the delivery of all WFIS services
- Provide day-to-day consulting on servicing of insurance
- Consult on special projects
- **Make audit and deductible billing adjustment**
- **Review policies for accuracy prior to delivery (ongoing follow up with carriers until all policies are exactly as ordered)**
- **Carrier service standards intervention**
- Provide access to multiple resources to provide state and federal mandated regulations
- Have an understanding and knowledge of all company policies and coverage lines
- Provide summaries of coverage
- Monitor the market place for any new trends, product development and additional markets, which may offer enhancements to program
- **Complete accounting and invoicing related to placement and servicing of insurance**
- Review contracts related to servicing of insurance
- **Provide certificates of insurance (on-line client access, if desired)**
- **Provide automobile ID cards, if applicable**

**Claims service**

- Hold initial meeting to determine Client's long term claim strategy and needs
- Conduct initial training on claims reporting procedures for carrier delegated claim servicing
- Report all claims to WFIS, except Workers' Compensation
- Conduct claim reviews, including status reports for claims in excess of \$25,000
- Conduct an annual carrier audit to measure carrier performance
- Select third party administrators (TPAs) and negotiate pricing

**Risk engineering services**

Client Service Agreement  
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- Hold initial meeting to determine risk engineering needs and long term strategy
- Hold initial meeting to determine carrier delegated risk engineering objectives
- Assist in the development and implementation of specified loss control projects
- Develop and implement carrier based service delivery
- Hold on-going stewardship meetings
- Provide manager/supervisor training and development (accident investigation, ergonomics, etc.)
- Provide risk mapping and follow-on loss control services (optional)

**Risk financial services**

- Conduct annual loss forecasting

The above-referenced services shall be rendered by WFIS to Client pursuant to the terms of this Agreement. Any additional services requested by Client shall be negotiated by the parties under separate written agreement.

**3. COMPENSATION**

**[Choose all applicable compensation – if not applicable delete the compensation description.]**

**Fee Only**

WFIS will be compensated for the services through payment of a fee by Client to WFIS as outlined in this Agreement. The insert "annual" or delete fee will be \$amount, payable and to be invoiced as follows, insert invoice schedule.

**Fee and commission**

WFIS will be compensated for the services outlined in this Agreement through the payment of a fee in the amount of \$amount by Client to WFIS, as well as the payment of commissions received from insurance companies. The commission is usually a percentage of the premium you pay for your insurance policy. It is paid by the insurance company for placing and servicing your insurance with them. WFIS will provide the amount of the commission to be paid by the insurer prior to the binding of the policy(s). The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly. **[If your customer is domiciled in one of the following states you must add this sentence and complete Exhibit A: Alaska, Conn., Ga., Ore., R.I., Texas, Wash., Wis. Delete the sentence and Exhibit in all other states.]** The attached Exhibit A provides additional information on commissions and other compensation WFIS will receive for the policies subject to this Agreement.

**Fee offset by commission**

With respect to insurance placed by WFIS on Client's behalf, WFIS will disclose to Client any standard commissions received by WFIS and credit them against the annual fee if permitted by law. Excess commissions will be carried forward and applied against WFIS' insert "annual" or delete compensation for subsequent years to the extent permitted by law.

**Contingent, supplemental, or bonus commissions [This must always be included]**

Some of the insurance companies WFIS represents may pay it additional incentive commission, sometimes referred to as contingent, supplemental or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time. Such additional commissions would be in addition to any other compensation WFIS may receive. At your request, WFIS will provide you with a detailed statement regarding our compensation on your account and how the compensation is calculated. **[Add the**

~~following sentence only if the carriers for your client do not pay contingent or bonus compensation, otherwise delete the sentence.]~~ Please be advised that WFIS will not be accepting incentive commission on the lines of insurance coverage subject to this Agreement.

**Miscellaneous sources of compensation [This must always be included]**

In addition to the foregoing, WFIS may also receive income from the following sources:

- Interest earned on premiums received from you and forwarded to the insurance company through WFIS' bank account.
- Payments from insurance companies to defray the cost of services provided for them, including advertising, training, certain employee compensation, and other expenses

In the event there is a significant change in Client operations which affects the nature and scope of its insurance requirements, the parties agree to renegotiate WFIS' compensation as appropriate.

~~[ADD the following sentence only for customers domiciled in Colo., D.C., Hawaii, Mont., N.C., N.D., Pa., S.C., S.D., Tenn., W.Va. you CANNOT include any services that would be considered INSURANCE PLACEMENT AND SERVICES. Delete this sentence for all other customers.]~~

Insurance placement and servicing will be provided to the Client and WFIS will not receive commissions for that placement and those services.

**4. BROKERAGE INTERMEDIARIES**

WFIS may utilize the services of other intermediaries, such as wholesale brokers, excess and surplus lines brokers, reinsurance intermediaries and underwriting managers, to assist in the marketing of Client insurance coverages, when in WFIS' professional judgment those services are necessary. Depending on the circumstances involved, it may be necessary to use an intermediary affiliated with WFIS. The compensation of such intermediaries is not included in WFIS' compensation under this Agreement and will be paid by insurers out of paid premiums. The compensation paid to WFIS' affiliates will be disclosed to Client prior to binding any coverage on your behalf.

**5. TERM AND TERMINATION**

The term of this Agreement shall commence on insert date and shall terminate SELECT one (1) year; two (2) years, or three (3) years thereafter. The term may be extended by mutual written agreement of the parties. In the event of termination, WFIS will assist Client in arranging a smooth transition process. However, WFIS' obligation and the obligation of its affiliates to provide services to Client will cease upon the effective date of termination, unless otherwise agreed in writing.

Notwithstanding the term of this Agreement, either party shall have the right to terminate this Agreement upon 90 days' prior notice to the other. In the event of termination by the Customer prior to expiration, WFIS' insert "annual" or delete compensation will be deemed earned according to the following schedule:

~~[Note to WFIS PRODUCER: The following compensation scale is only a guide to assist in negotiations with the CLIENT. WFIS compensation may be deemed fully earned at inception or the following schedule can be considered.]~~

- 60% at inception
- 75% after four months
- 100 % after seven months

**6. ACCURACY OF INFORMATION**

WFIS' ability to provide Client with the services outlined in paragraph 2 above is conditioned upon WFIS' receipt of accurate and timely information from Client. WFIS will not independently verify or

authenticate information provided by or on behalf of you. You shall be solely responsible for the accuracy and completeness of such information and other documentation furnished to WFIS.

**7. SURPLUS LINES**

In certain cases, placements that WFIS makes on your behalf may require the payment of surplus lines taxes and/or fees to state regulators, boards or associations, which Client agrees to pay. Such taxes will be identified on marketing results and invoices covering these placements.

**8. BOOKS AND RECORDS**

Client is entitled to copies of reports prepared by WFIS hereunder, contracts between Client and its carriers/administrators to the extent such contracts are in WFIS' possession and control, and communications between WFIS and Client's insurance carriers and employee benefits providers to the extent such books and records are maintained by WFIS with regard to its performance under this Agreement

**9. ENTIRE AGREEMENT**

This Agreement contains the entire understanding of the parties with respect to the subject matter contained herein, superseding all prior agreements, understandings, and negotiations with respect to such matters. This Agreement may be modified or otherwise amended and the observance of any term of this Agreement may be waived only if such modification, amendment, or waiver is in writing and signed by the party to be charged with same. This Agreement shall be binding upon and inure to the benefit of the parties' respective successors. Neither party shall have any liability for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, including, without limitation, acts of God, fires, floods, earthquakes, acts of war or terrorism, civil disturbances, sabotage, accidents, unusually severe weather, governmental actions, power failures, computer/network viruses that are not preventable through generally available retail products, catastrophic hardware failures, or attacks on its server. The parties further agree that neither party shall have any liability for indirect, special, punitive, consequential, or incidental damages, including, without limitation, loss of profits.

**10. GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of the Insert either "State" or "Commonwealth" of insert state where your office is located.

**11. SELECTION OF ISSUING INSURANCE COMPANY**

WFIS has no ownership interest in and is not under common control with the insurance company that is issuing the lines of insurance coverage described in this Agreement. WFIS represents the insurance company for the placement of insurance and provides related services to the client on behalf of the insurer.

IN WITNESS THEREOF, the parties have hereunto set their hands on the date and year first above written for the purposes set forth in this Agreement:

Wells Fargo Insurance Services USA, Inc.

Insert Client name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

**Client Service Agreement  
Property & Casualty**

**Title**

**Title**

