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In the Matter of

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

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ASSURANCE OF DISCONTINUANCE AND VOLUNTARY COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

a. In March of 2002, Client A was looking to renew its excess casualty coverage on which Zurich US was the incumbent on the lead layer. Prior to receiving any quotes or even sending out requests for submissions, Marsh created a broking plan which listed the amount Zurich US should quote to win the renewal and the companies that it intended to receive B quotes from to ensure Zurich US would obtain the coverage. The broking plan stated "the above represents a 72% rate increase for Zurich. Liberty [Mutual] is for type B only. Lets [sic] send to ACE for B as well." Marsh then gave a target to Zurich US for its bid. When Zurich US met the target, Marsh contacted Liberty and AIG (which replaced ACE) and requested B quotes. The quotes received from Liberty and AIG were, as directed by Marsh, at a higher rate than Zurich US's quote. Zurich US received the renewal.

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

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

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

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

c. In May of 2003, Client B, a non-profit corporation, was seeking competitive quotes on its excess casualty coverage where Zurich US was the incumbent. Marsh's broking plan called for Zurich US to maintain the contract and for other insurance companies to provide B Quotes. The plan stated "AIG is to B quote to Zurich. All other markets are B to Lead if the target is met." After Zurich US met its target, Marsh sought B quotes to protect it. As a Marsh e-mail to AIG stated, "Need a [sic] e-mail indication at \$400,000. Zurich, the incumbent hit the target . . . . " Marsh informed the client of Zurich US's competitors' higher quotes and Zurich US was awarded the coverage.

d. In addition to being protected on its lead coverage, Zurich US also played the role of protector. In July of 2002, Zurich US was asked in a series of e-mails to protect AIG's bid on the lead renewal for Client C. In the first e-mail, a Marsh executive wrote to the Zurich US underwriter:

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

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

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

> AIG quoted this . . . they have quoted 47,500,000 x 2,500,000/5mm/5mm=$600,000
>
> Please offer a higher protective quote on this. You are slotted in the excess.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bid Rigging – Excess Casualty Policyholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MONETARY FINE, PENALTY AND PAYMENT

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

BUSINESS REFORMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REINSURANCE REPORTING OBLIGATIONS

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

a. A review of ceded and assumed reinsurance of the property/casualty insurance subsidiaries of ZFS required to file statutory financial statements on the NAIC blanks (the "Property/Casualty Insurers") verifying that all contracts comply with SSAP 62 and 75 and the new NAIC disclosure and attestation requirements including the attestation that with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statements, to the best of ZFS's knowledge and belief, after diligent inquiry and unless noted as an exception under the attestation requirement:

i. Consistent with SSAP 62, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed;

ii. For each such reinsurance contract entered into, renewed or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP 62 and 75, is available for review;

iii. The reporting entity complies with all the requirements set forth in SSAP 62 and 75, and any supporting documentation is available for review;

iv. The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP 62 and 75.

b. A list of all its affiliated insurers, categorized by domicile, whether controlled through ownership or otherwise under the Insurance Law. The list shall include the percentage of ownership or other means by which ZFS controls the affiliated insurer.

c. A list of its ownership of five percent or more of the voting shares of any non-affiliated insurer entities.

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

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

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

33. **Additional Undertakings.**

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

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

COOPERATION WITH THE SUPERINTENDENT

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

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

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

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

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

COOPERATION WITH THE ATTORNEYS GENERAL

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

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

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

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

OTHER PROVISIONS

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

41. Zurich US commits that neither Zurich US nor ZFS shall seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Assurance.

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

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

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

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

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

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

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

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

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

51. This Assurance may be executed in counterparts.

Executed this 24th day of March, 2006.

ELIOT SPITZER
Attorney General of the State of New York

by

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

LISA MADIGAN
Attorney General of Illinois

Office of the Attorney General
State of Illinois
100 W. Randolph Street, 12th Floor
Chicago, Illinois 60601

RICHARD BLUMENTHAL
Attorney General of the State of Connecticut

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

Executed this 27th day of March, 2006.

ELIOT SPITZER
Attorney General of the State of New York

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

LISA MADIGAN
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____

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Chicago, Illinois 60601

RICHARD BLUMENTHAL
Attorney General of the State of Connecticut

____

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

Executed this 24TH day of March, 2006.

ELIOT SPITZER
Attorney General of the State of New York

____

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

LISA MADIGAN
Attorney General of Illinois

Lisa Madigan

Office of the Attorney General
State of Illinois
100 W. Randolph Street, 12th Floor
Chicago, Illinois 60601

RICHARD BLUMENTHAL
Attorney General of the State of Connecticut

____

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

LEBOEUF, LAMB, GREENE & MACRAE LLP

By: ______________________
Ralph C. Ferrara
Stephen A. Best
Ann M. Ashton
David Turetsky
1875 Connecticut Avenue, N.W., Suite 1200
Washington, D.C. 20009

John S. Pruitt
125 West 55th Street
New York, NY 10019

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