

STATE OF MICHIGAN
IN THE 30TH JUDICIAL CIRCUIT COURT
INGHAM COUNTY

MICHAEL A. COX, Attorney General of
the State of Michigan, *ex rel* STATE OF
MICHIGAN,

Plaintiffs,

v

ACE GROUP HOLDINGS, INC.
and its U.S.-domiciled subsidiaries,

Defendants.

D.J. Pascoe (P54041)
Assistant Attorney General
Consumer Protection Division
Michigan Department of Attorney General
P.O. Box 30213
Lansing, MI 48909
(517) 335-0855

Charles W. Browning (P32978)
Plunkett Cooney
38505 Woodward Ave.
Suite 2000
Bloomfield Hills, MI 48304
(248) 594-6247

Hon. BEVERLEY NETTLES-NICKERSON

Case No. 07-516-CP

STIPULATED ORDER AND INJUNCTION

This cause having come before the undersigned Circuit Court Judge for entry of a Stipulated Order and Injunction between Plaintiff, State of Michigan, by and through its Attorney General, Michael A. Cox (Plaintiff), and Defendants ACE Group Holdings, Inc. and its U.S.-domiciled subsidiaries insofar as those subsidiaries issue policies of insurance to residents of the United States (collectively, as further described below, "ACE" or the "ACE Insurers") concerning its arrangements with various Producers, including Marsh & McLennan Companies, Inc. and its affiliates or subsidiaries (collectively, "Marsh"). Plaintiff alleged that these arrangements, allegedly including bid-rigging and market allocations, violated various laws and resulted in the ACE Insurers charging artificially inflated prices for the commercial insurance policies they sold to clients of Marsh and other brokers. The ACE Insurers deny that their

activities have violated the federal or state antitrust laws, applicable insurance laws, or any other federal or state laws. The ACE Insurers do not admit liability under the antitrust laws or applicable insurance laws by agreeing to this Stipulated Order and Injunction (Order). Nonetheless, to avoid the uncertainty and expense of protracted litigation, the ACE Insurers agree to entry of this Order.

It is hereby ORDERED:

I. PARTIES

1. ACE Group Holdings, Inc. is incorporated under the laws of Delaware and is headquartered in Philadelphia, Pennsylvania. ACE Group Holdings, Inc. and its insurance subsidiaries as identified in Appendix A (collectively, the "ACE Insurers") operate throughout the United States and are parties to this Judgment.

2. The Attorney General is the chief law enforcement officer of the State of Michigan. The Attorney General is authorized to bring this action for violations of federal and state antitrust laws as well as state laws concerning fraud, misrepresentation, or similar conduct.

II. JURISDICTION

3. The Court has subject matter jurisdiction and may exercise personal jurisdiction over the ACE Insurers. Plaintiff's complaint states a claim upon which relief may be granted.

III. DEFINITIONS

4. As used in this Order:

a) ***AG Settlement Agreement*** means: the settlement agreement executed between and among the ACE Insurers and the attorneys general of the States of Florida, Hawaii, Maryland, Michigan, Oregon, Texas and West Virginia, the Commonwealth of Massachusetts, and the District of Columbia, the Florida Department of Financial Services, and the Florida

Office of Insurance Regulation pursuant to which the ACE Insurers agreed to entry of this Order, which agreement is substantially in the form found in Appendix B.

b) **"The Term"** means the ten-year time period during which the Court shall retain jurisdiction over enforcement of this Order. **The Term** begins on the date this Order is entered.

IV. TERMS

5. The ACE Insurers shall abide by and comply with the terms of the AG Settlement Agreement, and the terms of the AG Settlement Agreement are hereby incorporated by reference.

6. **Enforcement** – If the Attorney General believes that there has been a violation of this Order, the ACE Insurers shall be promptly notified in writing thereof. The Attorney General shall thereafter permit the ACE Insurers a reasonable opportunity to cure any alleged violation without instituting legal action. If the alleged violation is not substantially cured by the ACE Insurers within 60 days of the notification, the Attorney General may thereafter seek to undertake any remedial action deemed appropriate. This time period may be extended in circumstances where the 60-day period does not allow sufficient time to cure the alleged violation.

7. If the Attorney General prevails in any action or proceeding to enforce this Order, or in any action or proceeding otherwise arising out of or relating hereto, the Court shall award costs and expenses, including a reasonable sum for attorneys' fees.

8. **Legal Exposure** – This Order is not intended to give any legal rights or remedies of any nature to any third party.

9. **Notices** – All notices required by this Order shall be sent by certified or registered mail, return receipt requested, postage prepaid or by hand delivery to:

If to the Attorney General:

D.J. Pascoe
Assistant Attorney General
Consumer Protection Division
Michigan Department of Attorney General
P.O. Box 30213, Lansing, MI 48909
(Tel) 517.335.0855 (Fax) 517.335.6954
pascoedj@michigan.gov

If to the ACE Insurers

Chief Compliance Officer
ACE INA Group of Insurance and Reinsurance Companies
P.O. Box 1000
510 Walnut Street, WB4
Philadelphia, PA 19106

10. This Order is governed by and interpreted according to the laws of this State, excluding its conflict of laws provisions.

11. Nothing in this Order or any of its terms and conditions shall be interpreted to alter in any way the contractual terms of any insurance policy sold, assumed or acquired by an ACE Insurer.

12. Nothing in this Order releases a *Producer* from its obligations to make disclosures required by law or contract to Insureds.

13. **Modification** – If the Attorney General or the ACE Insurers believe that modification of this Judgment would be in the public interest, that party shall give notice to the other and the parties shall attempt to agree on a modification. If the parties agree on a modification, they shall jointly petition the Court to modify the Judgment, and such modification shall be granted unless the Court determines that the modification is contrary to the public interest.

14. **Retention of Jurisdiction** – The Court retains jurisdiction during the Term to enable the Attorney General or the ACE Insurers to apply to this Court for such further orders and directions as may be necessary and appropriate for the interpretation, modification, and enforcement of this Judgment. The ACE Insurers will not later challenge the Court’s jurisdiction to enforce this Judgment.

15. If the AG Settlement Agreement is terminated for any reason, then this Order shall be vacated and deemed null and void, and have no force or effect on any of the Parties.

16. **No Admission of Liability** – The ACE Insurers, desiring to resolve the Attorney General’s concerns without trial or adjudication of any issue of fact or law, have consented to entry of this Judgment, which is not an admission of liability by the ACE Insurers as to any issue of fact or law. Neither this Judgment nor the ACE Insurers’ agreement to its entry may be offered or received into evidence in any action as an admission of liability, whether arising before or after the entry of the Judgment.

DATED this 25th day of Oct, 2007.

JOYCE DRAGANCHUK
Ingham Circuit Court Judge

STIPULATED AND AGREED TO BY:

Plaintiff

Michael A. Cox, Michigan Attorney General

D. Pascoe

D.J. Pascoe (P54041)
Assistant Attorney General
Consumer Protection Division
Michigan Department of Attorney General
P.O. Box 30213, Lansing, MI 48909
(517) 335-0855

Date: 10-24-07

For Defendants

Charles W. Browning BY

Charles W. Browning (P32978)
Plunkett Cooney
38505 Woodward Ave.
Bloomfield Hills, MI 48304
(248) 594-6247

STEPHEN P. BROWN
(P48847)

Date: 10-22-07

APPENDIX A

**ACE Group Holdings, Inc.
U.S.-Domiciled Insurance Subsidiaries**

Name	Jurisdiction of Organization	Headquarters
ACE Group Holdings, Inc.	Delaware	Philadelphia, Pennsylvania
ACE INA Holdings Inc.	Delaware	Philadelphia, Pennsylvania
INA Corporation	Pennsylvania	Philadelphia, Pennsylvania
INA Financial Corporation	Delaware	Philadelphia, Pennsylvania
Brandywine Holdings Corporation	Delaware	Philadelphia, Pennsylvania
Century Indemnity Company	Pennsylvania	Philadelphia, Pennsylvania
INA Holdings Corporation	Delaware	Philadelphia, Pennsylvania
Indemnity Insurance Company of North America	Pennsylvania	Philadelphia, Pennsylvania
ACE Indemnity Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
ACE American Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Pacific Employers Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Illinois Union Insurance Company	Illinois	Chicago, Illinois
Insurance Company of North America	Pennsylvania	Philadelphia, Pennsylvania
Bankers Standard Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Bankers Standard Fire and Marine Company	Pennsylvania	Philadelphia, Pennsylvania
ACE Property and Casualty Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
ACE Fire Underwriters Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Atlantic Employers Insurance Company	New Jersey	Cherry Hill, New Jersey
ACE Insurance Company of Illinois	Illinois	Chicago, Illinois
ACE Insurance Company of the Midwest	Indiana	Richmond, Indiana
ACE US Holdings, Inc.	Delaware	Philadelphia, Pennsylvania
ACE USA, Inc.	Delaware	Philadelphia, Pennsylvania
Westchester Fire Insurance Company	New York	New York, New York
Westchester Surplus Lines Insurance Company	Georgia	Roswell, Georgia

ATTORNEY GENERAL SETTLEMENT AGREEMENT

This Attorney General Settlement Agreement (“AG Settlement Agreement”) is entered into by and between ACE Group Holdings, Inc. and its U.S.-domiciled subsidiaries, insofar as those subsidiaries issue policies of insurance to residents of the United States, including but not limited to, ACE INA Holdings Inc., and the companies listed in Appendix A (collectively, “ACE” or “the ACE Insurers”) and the Office of the Attorney General of the States of Florida, Hawaii, Maryland, Michigan, Oregon, Texas and West Virginia, the Commonwealth of Massachusetts, and the District of Columbia, the Florida Department of Financial Services, and the Florida Office of Insurance Regulation (collectively, the “Settling Attorneys General”).

RECITALS

WHEREAS, the Settling Attorneys General have conducted investigations (the “Investigations”) into certain acts, practices and courses of conduct which includes review of: (i) the practices by which ACE provides quotations to insureds and prospective insureds through brokers in connection with the placement and renewal of insurance contracts, and (ii) contracts, agreements, arrangements and understandings respecting the payment of commissions that are contingent upon, among other things, the broker placing a particular number of policies or dollar value of premium with ACE; and

WHEREAS, the Settling Attorneys General have alleged that ACE, along with other unrelated insurance companies, was a participant in a scheme with various insurance brokers to falsify quotes in order to facilitate the brokers’ steering of business to preferred insurers, in exchange for which the brokers similarly steered certain business to ACE, and that such conduct created a false appearance of market competition to the detriment of consumers; and

WHEREAS, ACE does not admit the above allegations; and

WHEREAS, the Settling Attorneys General have found that:

ACE has cooperated, and continues to cooperate with the Settling Attorneys General in connection with the issues arising with respect to the conduct that is the subject of the Investigations;

ACE has reviewed its practices relevant to the conduct and issues that are the subject of the Investigations and has adopted and will continue to monitor compliance efforts relevant to such conduct and issues;

ACE has acknowledged that certain of its employees violated both acceptable business practices and ACE's own standards of conduct by engaging in improper bidding practices, has apologized for this conduct, and is satisfied that this behavior will not be repeated;

ACE has paid \$40 million into a fund to be paid to ACE's policyholders who purchased or renewed excess casualty policies with the broker Marsh during the period from January 1, 2002 through September 30, 2004;

WHEREAS, the various investigations led ACE to agree to establish the \$40 million compensatory fund for policyholders on a nationwide basis;

WHEREAS, during the period of 2006 through and including 2008, ACE's offices situated and issuing policies in the United States have ceased all payments of Contingent Commissions to any non-exclusive agent or broker relating to the placement of any excess casualty insurance policy;

WHEREAS, ACE has established a practice of including with the delivery of all insurance policies a written notification directing insureds to information regarding the payment of compensation to insurance brokers and non-exclusive agents;

WHEREAS, ACE and the Settling Attorneys General wish to resolve any and all issues, allegations and/or claims based upon the acts, practices or courses of conduct that are the subject of the Investigations; and

WHEREAS, the Settling Attorneys General find that:

This AG Settlement Agreement adequately addresses the principal collective concerns of the Settling Attorneys General and thus is in the public interest;

This AG Settlement Agreement is entered into solely for the purpose of resolving any and all issues, allegations and/or claims that arise as to ACE based upon the acts, practices or courses of conduct that are the subject of the Investigations, and is not intended to be used for any other purpose;

There is no intent on the part of the Settling Attorneys General in entering into this AG Settlement Agreement that any of its terms place ACE at a competitive disadvantage;

ACE enters into this AG Settlement Agreement without admitting any issue, allegation and/or claim that has arisen or might arise as to ACE based upon the acts, practices or courses of conduct that are the subject of the Investigations; and

WHEREAS, this AG Settlement Agreement shall become effective on the date that it is signed by ACE and the Settling Attorneys General.

NOW THEREFORE, ACE and the Settling Attorneys General hereby enter into this AG Settlement Agreement and agree as follows:

ARTICLE I
ENTRY OF ORDER AND STIPULATED INJUNCTION

The ACE Insurers agree that the AG Settlement Agreement may be entered as an Order and Stipulated Injunction in the state court of each of the signatory states hereto; *provided* however that the Settling Attorneys General shall submit such Order and Stipulated Injunction to

each of their respective state courts for entry within thirty days following the execution of the AG Settlement.

ARTICLE II
AG SETTLEMENT AGREEMENT TERMS

A. ACCEPTANCE

By virtue of their execution of this AG Settlement Agreement, the Settling Attorneys General and ACE acknowledge and agree that they understand the terms and conditions of this AG Settlement Agreement.

B. ADMINISTRATIVE AGREEMENTS

Based upon extensive negotiations with the Settling Attorneys General, ACE agrees to do the following:

1. Within sixty (60) days following the execution date of this AG Settlement Agreement, ACE shall pay or cause to be paid by wire transfer, certified check or other guaranteed funds into an account(s) as directed by the Settling Attorneys General the amount of Four Million, Five Hundred Thousand Dollars (\$4,500,000) (hereinafter the "State Payment") in settlement of the Settling Attorneys Generals' claims arising from the acts, practices or courses of conduct that are the subject of the Investigations, including (i) reimbursement of the Settling Attorneys Generals' attorneys' fees and costs relating to the Investigations and negotiation of this AG Settlement Agreement and/or (ii) compensation for claims relating to state and municipal entity holders of property and casualty insurance policies.

C. BUSINESS REFORMS

1. DEFINITIONS

For purposes of this Agreement the following definitions shall apply:

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- a. **“Base Compensation”** means a retail or wholesale commission paid by an ACE Insurer to a Producer in connection with the placement of a Commercial Insurance Policy that is a percentage of the premium that will be paid by the Insured on the Commercial Insurance Policy.
- b. **“Broker”** means a producer representing policyholders.
- c. **“Commercial Insurance Policy”** means any contract, policy, agreement or binder of insurance sold to a commercial or business enterprise or a governmental entity; provided however, that Commercial Insurance Policy does not include 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.
- d. **“Compensation”** means anything of material value received by a Broker or Non-Exclusive Agent directly from ACE including, but not limited to, base compensation, contingent compensation, supplemental commissions, monetary payments, brokerage fees, service fees, incentives, rebates, money, credit, loans, forgiveness of debt, forgiveness of principal or interest, vacation, prizes, gifts or the payment of employee salaries or expenses; *provided however* that Compensation shall not mean any customary, non-excessive meals and entertainment expenses.
- e. **“Contingent Compensation”** means Compensation paid by an ACE Insurer to a Producer in connection with the placement of one or more Commercial Insurance Policies that is contingent upon the Producer: a) placing a particular number of policies or dollar

value of premium with the ACE Insurers; b) achieving a particular level of growth in the number of policies placed or dollar value of premium with the ACE Insurers; c) meeting a particular rate of retention or renewal of policies in force with the ACE Insurers; d) placing or keeping sufficient insurance business with the ACE Insurers to achieve a particular loss ratio or any other measure of profitability; or e) obtaining anything else of material value for an ACE Insurer.

f. **“Non-Exclusive Agent”** means a producer that represents ACE and one or more other insurers and, with respect to a particular product or product line, offers insurance products for ACE and other insurers on a competitive basis to policyholders. An Exclusive Agent represents ACE with respect to a particular product or product line and does not offer insurance products of that type for other insurers on a competitive basis to policyholders. A particular agent may be an Exclusive Agent for certain products or product lines and a Non-Exclusive Agent for other products or product lines.

2. **DISCLOSURE TO POLICYHOLDERS**

a. **Website Disclosure.** Within sixty (60) days following the execution date of this AG Settlement Agreement, ACE shall publish on its website a narrative informing Insureds and prospective Insureds that the ACE Insurers may pay Compensation to their Producer and describing the various forms of Compensation paid by the ACE Insurers to Producers (“Website Disclosure”). The Website Disclosure shall be available at all times and shall not be password or passcode protected. In addition, the Website Disclosure shall, at a minimum, contain the following information:

- i. A description of Base Compensation payable by the ACE Insurers;

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- ii. A description of Contingent Compensation payable by the ACE Insurers, including enumeration of factors upon which compensation may be contingent, including: (a) placing a particular number of policies or dollar value of premium with ACE; (b) achieving a particular level of growth in the number of policies placed or dollar value of premium with ACE; (c) meeting a particular rate of retention or renewal of policies in force with ACE; (d) placing or keeping sufficient insurance business with ACE to achieve a particular loss ratio or other measure of profitability; or e) obtaining anything else of material value for an ACE Insurer;
- iii. If any other Compensation may be paid to Producers in connection with the placement of the Commercial Insurance Policy, a description of and how such Compensation will be determined; and
- iv. The following information, with respect to each kind of Commercial Insurance Policy offered by the ACE Insurers (using NAIC annual statement reporting lines):
1. the range of Base Compensation the ACE Insurers paid to Brokers and Non-Exclusive Agents in the immediately preceding calendar year for each kind of Commercial Insurance Policy offered by the ACE Insurers; and

2. the range of Contingent Commission ACE Insurers paid to Brokers and Non-Exclusive Agents in the immediately preceding calendar year for each kind of Commercial Insurance Policy offered by the ACE Insurers.

b. **Disclosure On Request.** In addition, within sixty (60) days following the execution date of this AG Settlement Agreement, ACE shall:

- i. Disclose to any present or prospective policyholder whose policy is issued by ACE offices situated and issuing policies in the United States at its request, upon issuing a quote or thereafter, the Compensation (if any) payable by ACE to a Broker or Non-Exclusive Agent in connection with the issuance or placement of ACE's policy;
- ii. Establish a toll-free telephone number whereby policyholders and prospective policyholders can request disclosure of such Compensation information and designate an individual or individuals to coordinate responses to such requests; and
- iii. Post such toll-free telephone number (1) on ACE's Website Disclosure and (2) on ACE's corporate website with a link to ACE's Website Disclosure, alongside existing insurance product-related content.

c. **Modification of Website Disclosure.** ACE agrees that it will not materially change the Website Disclosure for a period of three years from the date the AG

Settlement Agreement is entered ("the Term"), except on 60 days' notice to and approval if deemed necessary by the Settling Attorneys General.

3. **COMPLIANCE PROGRAM**

a. **ACE Compliance Program.** The parties recognize that ACE and its ultimate parent company, ACE Limited ("ACE Limited") have implemented a comprehensive compliance program under the supervision of the Global Compliance Officer of the worldwide ACE group, the material features of which as concern ACE's U.S. operations are set forth in Appendix B.

b. **Modifications of Compliance Program.** ACE agrees that it shall not eliminate material aspects of the compliance program described in Appendix B for a period of three years from the date the AG Settlement Agreement is entered ("the Term"), except on 60 days' notice to the Settling Attorneys General.

4. **BUSINESS PRACTICE GUIDELINES**

a. **Business Practice Guidelines.** ACE's compliance program includes dissemination of, instruction in, and review and appropriate modification of Business Practice Guidelines substantially in the form of the document annexed as Appendix C to this Agreement, which provides detailed guidelines relating to underwriting practices and relationships with Brokers and other intermediaries.

b. **Modifications of Business Practice Guidelines.** ACE agrees that it will not materially change these guidelines, insofar as they apply to any ACE entity domiciled in the United States, for a period of three years, except on 60 days' notice to the Settling Attorneys General.

c. **Interpretive Guidance.** From time to time, ACE issues interpretive guidance pertaining to the Business Practice Guidelines. ACE agrees to make such guidance available to the Settling Attorneys General prior to issuance.

5. **CEASE AND DESIST**

a. ACE shall not, directly or indirectly, knowingly provide or offer any Broker or non-exclusive Agent placing, renewing, consulting on or servicing any Commercial Insurance Policy a false, fictitious, inflated, artificial, "B," alternative, back-up or throw away bid, quote or indication, or any other illegal quote or indication that is not based upon bona fide business, actuarial or underwriting considerations when the quote or indication is given.

b. ACE shall not enter into, engage in, or solicit or otherwise seek to enter any agreement, not permitted by applicable law, with any Broker or non-exclusive Agent, or with any insurance company, reinsurance company, insurance exchange, or any person employed by, or an agent of, any such entity to allocate customers or markets, to rig bids or quotes, or to submit bids or quotes that would violate the preceding paragraph.

c. ACE shall not directly or indirectly pay or accept a request to pay any Compensation to a Broker as a quid pro quo not permitted by applicable law for the Broker's inclusion of ACE on a list of insurance companies from which the Broker will solicit bids or quotes for clients, nor enter into any other type of illegal "pay-to-play" arrangement.

d. ACE shall not engage in any agreement not permitted by applicable law to fix or stabilize prices, rig bids or allocate customers.

6. **COOPERATION WITH SETTLING ATTORNEYS GENERAL**

a. **Successors and Assigns.** The terms of this AG Settlement Agreement are binding on ACE and its successors and assigns, including, but not limited to, any person or entity to whom ACE may be sold, leased or otherwise transferred, during the Term.

b. **Cooperation with Investigations.** ACE shall continue to fully and promptly cooperate with the Settling Attorneys General with regard to the Investigations or related proceedings or actions regarding any person, corporation or entity, including but not limited to, former employees of ACE; provided that each person who receives documents or information pursuant to this paragraph shall, consistent with state law, (i) keep the documents or information confidential and (ii), if not prohibited by applicable state law, return any documents or information received from ACE no later than ten (10) days following the date on which any regulatory or enforcement investigation or related proceeding or action is concluded. The ACE Insurers shall not object to the production of non-privileged documents or witnesses on the ground that the documents or witnesses requested relate to matters outside the states represented by the Settling Attorneys General. Cooperation shall include, without limitation:

(1) the voluntary production (without service of subpoena) of (i) any and all non-privileged information and documents or other tangible evidence reasonably available and requested by the Settling Attorneys General in connection with the Investigations and (ii) any compilation or summaries of non-privileged information or data that the Settling Attorneys General reasonably requests be prepared in connection with the Investigations;

(2) the use of reasonable best efforts on the part of ACE to ensure that officers, directors, and employees of ACE fully and promptly cooperate with the

Settling Attorneys General in connection with the Investigations, including attendance (without service of a subpoena) at any proceeding as requested by the Settling Attorneys General; and

(3) with respect to any document withheld or redacted on the grounds of privilege, work product or other legal doctrine, submission of a written log by ACE indicating: (i) the type of document; (ii) the date of the document; (iii) the author and each 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.

c. **McCarran-Ferguson**. The actual or potential applicability of the McCarran-Ferguson Act to the conduct covered by the documents or witnesses requested pursuant to paragraphs II(C)(6)(b)(1) and II(C)(6)(b)(2) shall not be a basis for withholding information in response to a request made pursuant to these paragraphs.

d. **Determination of Cooperation**. To determine or secure the cooperation contemplated by this AG Settlement Agreement with respect to the Investigations, and without limiting otherwise applicable law, the Settling Attorneys General shall be permitted, upon reasonable notice and during normal business hours:

(1) Access to all non-privileged books, ledgers, accounts, correspondence, memoranda, other records, and documents in the possession or under the control of ACE relating to any matters contained in this AG Settlement Agreement; and,

(2) To interview officers, managers or employees of ACE regarding any matters contained in this AG Settlement Agreement, except for matters subject to a claim of privilege.

D. NON-ADMISSIBILITY OF AGREEMENTS AND PROCEEDINGS

Nothing in this AG Settlement Agreement shall be admissible or serve as the basis of any disqualification for any license, privilege, grant or authority or eligibility to hold any position in any State Proceeding as to any ACE Releasee (as that term is defined in Paragraph II(E)(1) below) in connection with any State Proceeding. For purposes of this paragraph, the term State Proceeding shall mean any proceeding (whether formal or informal, administrative or judicial) brought by or on behalf of or before any state entity, including without limitation, a proceeding in which any license or permit issued to an ACE Releasee or the ability of a ACE Releasee to do business is either challenged or being considered for any reason by such state entity; provided however, that nothing in this paragraph shall prohibit a party to this Agreement from enforcing any provision of this AG Settlement Agreement.

E. RESOLUTION OF CLAIMS AND INVESTIGATIONS

1. Upon execution of this AG Settlement Agreement, the Settling Attorneys General shall terminate each and every existing investigation, inquiry, claim and/or proceeding (whether formal or informal) as to any ACE Insurer, as to any of an ACE Insurer's respective parents, predecessors, successors, affiliates (as defined in 17 C.F.R. Part 210.1-02.b), divisions, business units and subsidiaries (including without limitation ACE affiliates domiciled and regulated outside the U.S. (the "Foreign ACE Affiliates")), and as to any current or former director, officer or employee (except that such Release shall not extend to the conduct of any former ACE employee while subsequently employed by an insurance company or broker under investigation by any of the Settling Attorneys General) of any of the foregoing (collectively, the "ACE Releasees") directly relating to the acts, practices or courses of conduct that are the subject of the Investigations; provided however, that ACE Releasees shall not include any entity that

may, following the execution of this AG Settlement Agreement, become a successor, parent or acquirer of the ACE Insurers or any of them, but such entity shall not be a ACE Releasee only (i) to the extent it is not an ACE Releasee under this AG Settlement Agreement as of the date hereof; and (ii) with respect to such entity's participation, prior to becoming a successor parent or acquirer of the ACE Insurers or any of them, in acts, practices or courses of conduct that are the subject of the Investigations.

2. The Settling Attorneys General shall not, either individually or in concert, initiate any new, or reinstate any terminated, investigation, inquiry, claim and/or proceeding (whether formal or informal) as to any ACE Releasee where the investigation, inquiry, claim and/or proceeding is based upon the acts, practices or courses of conduct that are the subject of the Investigations.

3. Nothing in Paragraphs II(E)(1) and II(E)(2) above shall be deemed to release any individual or entity (including any Broker, insurer, or individual or entity specifically excluded from the term "ACE Releasee" in the proviso to Paragraph II(E)(1)) other than those individuals and entities that are within the definition of ACE Releasees.

4. Nothing in Paragraphs II(E)(1) and II(E)(2) shall be deemed to preclude the Settling Attorneys General's review of acts, practices or courses of conduct that occur after the execution date of this AG Settlement Agreement.

ARTICLE III **OTHER PROVISIONS**

5. The fact that the ACE Insurers have entered into this AG Settlement Agreement is not intended to disqualify any ACE Releasee from engaging in any business in any state, nor shall the fact that Foreign ACE Affiliates qualify as ACE Releasees suggest that such entities engage in business, or are subject to regulation or personal jurisdiction in, any state.

Nothing in this AG Settlement Agreement shall relieve any of the ACE Releasees from obligations imposed by any applicable state insurance law or regulation, or other applicable law, provided that no Foreign ACE Affiliate domiciled, licensed, regulated and doing business on a direct-procurement basis, in person or through Brokers outside the U.S. consistent with established practices and applicable foreign licenses and laws, shall be deemed to be engaging in business in any state solely on the basis that an insured risk or policyholder, or the U.S.-based Broker or other intermediary through which a policyholder obtains insurance, is located, domiciled, licensed, regulated or doing business in that state.

6. This Agreement is not intended to and shall not confer any rights upon any persons or entities besides the Settling Attorneys General and the ACE Insurers.

7. The ACE Insurers shall maintain custody of, or make arrangements to have maintained, all documents and records that relate to the acts, practices or courses of conduct that are the subject of the Investigations for a period of not less than six (6) years.

8. If compliance with any aspect of this AG Settlement Agreement proves impracticable, the ACE Insurers reserve the right to request from the Settling Attorneys General a modification to this AG Settlement Agreement accordingly.

9. Whenever this AG Settlement Agreement requires that notice be provided, such notice shall be provided by electronic mail or by hand delivery to:

If to the Settling Attorneys General:

Mark Tobey, Esq.
Chief, Antitrust & Civil Medicaid Fraud Division
Office of the Attorney General
P.O. Box 12548
Austin, Texas 78711-2548
Telephone: (512) 463-1262

If to the ACE Insurers

Gregory Stern
Chief Compliance Officer
ACE INA
P.O. Box 1000
510 Walnut Street, WB4
Philadelphia, PA 19106
Gregory.Stern@ace-ina.com

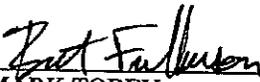
10. This AG Settlement Agreement shall be governed by and interpreted according to the laws of the Commonwealth of Pennsylvania; provided however, any order entered pursuant to Article I, above, shall be governed by and interpreted according to the laws of the state court in which it is entered, excluding its conflict of laws provisions.

11. This AG Settlement Agreement may be signed in counterparts, each of which shall constitute a duplicate original. Execution by facsimile or by an electronically transmitted signature shall be fully and legally binding on the Settling Attorneys General and the ACE Insurers.

Executed this 24th day of Oct, 2007.

**ATTORNEY GENERAL OF THE
STATE OF TEXAS**

GREG ABBOTT
Attorney General of Texas
KENT SULLIVAN
First Assistant Attorney General
JEFF L. ROSE
Deputy First Assistant Attorney General



MARK TOBEY
Assistant Attorney General
Chief, Antitrust and Civil Medicaid Fraud
Division
Texas Bar No. 20082960
BRET FULKERSON
Assistant Attorney General
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P. O. Box 12548
Austin, Texas 78711-2548
512/463-2185
512/320-0975 (Facsimile)

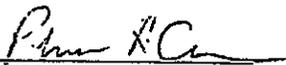
COUNSEL FOR THE ACE INSURERS

By: 

ROBERT CUSUMANO
General Counsel
ACE Group Holdings, Inc.
1133 Avenue of the Americas
New York, NY 10036

STATE OF FLORIDA

BILL MCCOLLUM
Attorney General
State of Florida



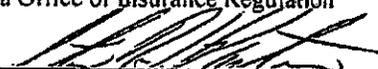
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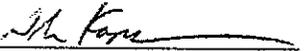
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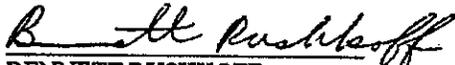
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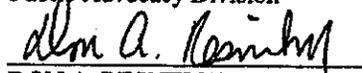
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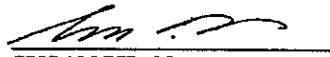
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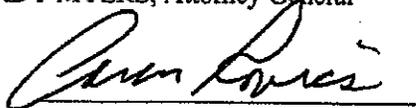
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APPENDIX A

**ACE Group Holdings, Inc.
U.S.-Domiciled Insurance Subsidiaries**

Name	Jurisdiction of Organization	Headquarters
ACE Group Holdings, Inc.	Delaware	Philadelphia, Pennsylvania
ACE INA Holdings Inc.	Delaware	Philadelphia, Pennsylvania
INA Corporation	Pennsylvania	Philadelphia, Pennsylvania
INA Financial Corporation	Delaware	Philadelphia, Pennsylvania
Brandywine Holdings Corporation	Delaware	Philadelphia, Pennsylvania
Century Indemnity Company	Pennsylvania	Philadelphia, Pennsylvania
INA Holdings Corporation	Delaware	Philadelphia, Pennsylvania
Indemnity Insurance Company of North America	Pennsylvania	Philadelphia, Pennsylvania
ACE Indemnity Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
ACE American Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Pacific Employers Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Illinois Union Insurance Company	Illinois	Chicago, Illinois
Insurance Company of North America	Pennsylvania	Philadelphia, Pennsylvania
Bankers Standard Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Bankers Standard Fire and Marine Company	Pennsylvania	Philadelphia, Pennsylvania
ACE Property and Casualty Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
ACE Fire Underwriters Insurance Company	Pennsylvania	Philadelphia, Pennsylvania
Atlantic Employers Insurance Company	New Jersey	Cherry Hill, New Jersey
ACE Insurance Company of Illinois	Illinois	Chicago, Illinois
ACE Insurance Company of the Midwest	Indiana	Richmond, Indiana
ACE US Holdings, Inc.	Delaware	Philadelphia, Pennsylvania
ACE USA, Inc.	Delaware	Philadelphia, Pennsylvania
Westchester Fire Insurance Company	New York	New York, New York
Westchester Surplus Lines Insurance Company	Georgia	Roswell, Georgia

APPENDIX B
COMPLIANCE PROGRAM

U.S. Compliance Function. ACE Group Holdings, Inc. and its U.S.-domiciled subsidiaries (individually and collectively, "ACE") and its ultimate parent company, ACE Limited ("ACE Limited") have implemented a comprehensive compliance program under the supervision of the Global Compliance Officer of the worldwide ACE group. As part of this worldwide compliance program, ACE has developed and implemented compliance procedures for its U.S. operations, as more fully described below, and has appointed a Chief Compliance Officer responsible for ACE's compliance function in the United States.

Staffing and Funding. ACE has provided staffing and funds sufficient to develop and implement appropriate compliance measures throughout the United States.

Policies and Procedures. ACE's compliance program in the United States includes policies and procedures covering the following subjects:

- ACE's Code of Conduct, including oversight of annual affirmation process;
- Ethics help line;
- Antitrust Compliance Program;
- Business Practice Guidelines;
- Privacy Policy;
- Training programs, as more fully described below;
- Investigation and evaluation of complaints concerning potential misconduct; and
- Archives and records management procedures.

Training. ACE's compliance program includes providing instruction or educational resources for appropriate U.S. personnel on relevant statutes, regulations and professional obligations, including:

- ACE's Code of Conduct;
- ACE's Business Practice Guidelines;
- Federal and state antitrust law;
- State insurance laws and regulations; and
- Federal securities statutes, including Sarbanes-Oxley.

APPENDIX C
BUSINESS PRACTICE GUIDELINES

ACE Group Business Practice Guidelines [Effective November 20, 2006]

Revising guidelines issued November 2, 2004, and Reissued April 1, 2005

To the ACE Underwriting Organization:

ACE is committed to professionalism and the highest legal and ethical standards. This memorandum is intended to provide certain underwriting guidance which supplements existing procedures concerning underwriting and authority to provide quotes and bind business.

Guideline 1

It is imperative that every ACE employee understand that the Company will not tolerate any behavior involving price fixing, bid-rigging, agreeing with competitors or Brokers to allocate customers between ACE and its competitors, kick-backs or any other Anticompetitive Practices. Such practices are improper and completely unacceptable within the ACE organization. (Certain of these terms are defined in the accompanying Commentary to this Guideline.)

Guideline 2

ACE will submit only technically sound "quotations" (or "quotes") that are intended as a genuine attempt to bind the business. A "quotation" is a proposal to provide defined coverage at a specified price. ACE expects that appropriate due diligence and good faith shall be applied to every quotation, regardless of the prospects for success of that quotation, with the file demonstrating the underwriting basis for the quote. No quotation will be submitted that does not reflect ACE's good faith attempt, after appropriate due diligence, to bind the business. Quotations must be issued in accordance with ACE policy and on appropriate ACE forms (where such forms exist). A quotation may be "conditioned" on receipt or review of a submission or other relevant underwriting information. "Conditional Quotes" must have a specified duration during which an underwriter must either issue a bindable quote or officially decline the risk in writing. Conditional quotes must be set forth in writing clearly stating the conditions that need to be met in order for a quote to be bound. Pending the fulfillment of such conditions, the price could go up or down, and this must be noted in writing in the conditional quotation. ACE personnel must use their best efforts to assure that all communications pertaining to the placement of coverage are unambiguous, and that discussions with Brokers pertaining to market conditions and/or pricing (see paragraph 5 below), whether referred to as a potential pricing range, an indication, or any other term, are not misconstrued to be quotations.

Guideline 3

It is appropriate to submit a quote that is understood to be the start of a negotiation process between a Broker and insurer. The following areas may be considered by the underwriter as the negotiation to bind the risk continues: ACE rating plans and underwriting guidelines, underwriter judgment and market conditions. Upward revisions in a quotation may only be based on a change in the underwriter's knowledge or assessment of exposures, market conditions or a change in terms and conditions. Revised quotations, downward or upward, must always be properly documented in the underwriting file. Throughout the process, quotes must always be part of a good faith effort to bind the business, especially where terms and conditions of quotations vary from each other.

Guideline 4

ACE personnel must not increase a quotation solely based on a Broker's request. ACE may only increase a quotation based on a change in our underwriter's knowledge or assessment of exposures, market conditions, or a change in terms and conditions. The basis for re quoting business must be properly documented in the file.

Guideline 5

Subject to Paragraph 2, ACE personnel may have conversations with clients or Brokers about general market conditions, as well as ACE's possible interest in pursuing particular business and potential pricing ranges pertaining to such business. ACE personnel are not permitted to engage in conversations with competitors that focus on any current or potential client or specific business.

Guideline 6

ACE will not pay Contingent Commissions to any Broker relating to the placement of excess casualty insurance policies. ACE may pay Contingent Commissions to Brokers relating to placement of other lines of business only with the approval of the General Counsel or Chief Executive Officer of ACE.

ACE may pay Contingent Commissions to Agents in connection with non-US Business. In connection with US Business, ACE may pay Contingent Commission to (i) Non-Exclusive Agents only subject to the approval of Regulatory Compliance; and (ii) Exclusive Agents who are selling products clearly and conspicuously identified in marketing materials as ACE's products.

Guideline 7

In all areas where ACE conducts insurance business through a Broker, we must try to ensure that the customer has access to information regarding pricing, terms and conditions, including the Broker's commission, whether such disclosure is done by ACE or the customer's Broker. For all

US Business, ACE will provide a notice accompanying each insured's policy sold by a Broker or Non-Exclusive Agent, stating that the insured can review and obtain information relating to ACE's practices and policies regarding commissions on its website and by calling a toll-free telephone number. ACE encourages Brokers and Non-Exclusive Agents that place US Business with ACE to disclose to ACE policyholders on request the commissions paid or likely to be paid by ACE to the Broker in connection with any ACE US Business issued through or placed by that Broker. ACE will also disclose to any present or prospective ACE US Business policyholder at its request, upon issuing a quote or thereafter, the commission (if any) payable by ACE to a Broker or a Non-Exclusive Agent in connection with the issuance or placement of the policyholder's ACE policy. These disclosure policies do not apply to business conducted under the jurisdiction of the Financial Services Authority, which has placed primary responsibility for commission disclosure on Brokers rather than insurers.

Guideline 8

ACE will honor Broker of Record letters ("BORS") and, when received with respect to a particular client, ACE will provide quotations only through such Broker(s) as have produced a BOR.

Guideline 9

Where there is no Broker of Record letter, ACE will not engage in the practice known as "Blocking the Market," i.e., ACE will not agree to refrain from submitting a quote on any account to any Broker who seeks such a quote. ACE will be the sole judge of whether to submit a quotation based on its underwriting criteria and practices.

Guideline 10

ACE will only participate in a Broker's bidding process or client presentations in connection with a legitimate attempt to bind the business and to quote it based on ACE's own underwriting and pricing guidelines. In particular, ACE personnel will only attend client presentations where there is a real opportunity for gaining the business at present or in the future.

Guideline 11

ACE personnel may ask for or receive from the Broker the expiring program pricing on a new piece of business. It is not appropriate to obtain expiring pricing information (or any other pricing information) from the incumbent insurance carrier or other competitors.

Guideline 12

A Broker may provide competitor pricing or quotations where that information is being offered by the Broker to obtain the best deal for its client. If an underwriter believes that a Broker is offering competitor pricing information for a reason other than to obtain the best deal for its client, ACE personnel will decline to receive the information. If the information is nevertheless provided by the Broker, the ACE underwriter will disregard the information and report the situation to management and the legal personnel designated at the end of this policy statement.

Guideline 13

In the event that ACE receives a proposed placement chart from a Broker, ACE may not agree in advance to refrain from submitting quotations for layers in which it is not included in the proposed chart. To the extent that these charts contain "target premiums," ACE will not agree to submit quotations at the target number and will not submit at the target number unless ACE's due diligence supports the pricing at that number. Underwriters will use their best efforts to confirm that the target pricing reflects the views of the client.

Guideline 14

ACE may only place reinsurance coverage through a Broker if ACE believes that using that Broker will best satisfy ACE's needs for reinsurance. ACE may not place reinsurance with a Broker as an incentive to secure direct business.

We will supplement this memorandum as additional specific questions or concerns are raised and as required based on evolving legal and regulatory requirements and internal and external developments. If anyone in the ACE organization has a question about the propriety of an underwriting practice or how an ACE business unit is interacting with a Broker or customer, they are urged to raise those questions with Global Compliance. If you would like to report questions or concerns anonymously please utilize the ACE Ethics Helpline.