SETTLEMENT AGREEMENT WITH OFFICES OF THE ATTORNEYS GENERAL

This Settlement Agreement with Offices of the Attorneys General and certain insurance regulators (the "AG Settlement Agreement") is entered into by and between Zurich American Insurance Company and its insurance subsidiaries, including but not limited to, Steadfast Insurance Company, Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company, American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company, and Assurance Company of America (collectively, the "Zurich Insurers"), and the Office of the Attorney General of the States of California, Florida, Hawaii, Maryland, Oregon, Texas and West Virginia and the Commonwealths of Massachusetts, Pennsylvania and Virginia, the Chief Financial Officer of the State of Florida and the Office of Insurance Regulation of the State of Florida (collectively, the "Settling Attorneys General").

WHEREAS, certain state attorneys general and insurance departments initiated civil investigations (collectively, the "Investigations") into (*i*) the practices by which insurers (including the Zurich Insurers) provide quotations to insureds and prospective insureds through brokers and agents 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 or agent placing a particular number of policies or dollar value of premium with the Zurich Insurers; and

WHEREAS, the Settling Attorneys General have found that:

1. the Zurich Insurers have cooperated, and continue to cooperate, with the attorneys general as well as with the departments of insurance in connection with issues arising respecting the conduct that is the subject of the Investigations;

2. the Zurich Insurers have reviewed their practices relevant to the conduct and issues that are the subject of such Investigations and have adopted and will continue to reform compliance efforts relevant to such conduct and issues;

3. Zurich American Insurance Company, Steadfast Insurance Company, Fidelity & Deposit Company of Maryland, Empire Fire & Marine Insurance Company, American Guarantee & Liability Insurance Company, Empire Indemnity Insurance Company, and Assurance Company of America are named defendants in a putative class action styled *In re Insurance Brokerage Antitrust Litigation*, MDL No. 1663, Civil No. 04-5184 (FSH) (the "Class Action"), which action is pending in the United States District Court for the District of New Jersey (the "Class Action Court");

4. the claims made in the Class Action (the "Class Action Claims") by the plaintiffs (the "Class Action Plaintiffs") are made on behalf of a nationwide class of insurance policyholders, and are based upon the acts, practices or courses of conduct that are the subject of the Investigations;

5. the Zurich Insurers and Class Action Plaintiffs have agreed to the principal terms of a settlement of the Class Action, which terms are set out in an October 14, 2005 Memorandum of Understanding (the "MOU"), a copy of which is attached as Exhibit A and incorporated herein by reference;

6. the Zurich Insurers and the Class Action Plaintiffs are in the process of negotiating the terms of a settlement agreement consistent with the terms of the MOU;

7. as set out in the MOU, execution of a settlement agreement with the Class Action Plaintiffs is subject to, among other things, the Zurich Insurers' ability to resolve the Investigations;

8. the Zurich Insurers have negotiated settlement agreements (the "Regulatory Settlement Agreements") with certain of the departments of insurance ("Settling Insurance Regulators") that contain substantially similar settlement terms as are set out in this AG Settlement Agreement;

9. in resolving the pending Investigations, the Zurich Insurers may settle civil claims relating to the acts, practices or courses of conduct that are the subject of the Investigations with other state attorneys general and/or departments of insurance pursuant to agreements that may require the Zurich Insurers or any of them to pay a monetary amount under terms that are different from those set out in this AG Settlement Agreement ("Parallel Agreements"); and

10. the Zurich Insurers may negotiate a Parallel Agreement with the New York Attorney General and/or the New York Department of Insurance (the "NY Parallel Agreement"); and

WHEREAS, the Zurich Insurers 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:

1. execution of this AG Settlement Agreement is in the public interest; and

2. 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 the Zurich Insurers 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;

3. 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 the Zurich Insurers at a competitive disadvantage; and

4. the Zurich Insurers enter into this AG Settlement Agreement without admitting any issue, allegation and/or claim that has arisen or might arise as to the Zurich Insurers 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 the Zurich Insurers and the Settling Attorneys General.

NOW THEREFORE, the Zurich Insurers and each of the Settling Attorneys General hereby enter into this AG Settlement Agreement and agree as follows:

ENTRY OF ORDER AND STIPULATED INJUNCTION

1. The Zurich Insurers agree to entry of an Order and Stipulated Injunction in the state court of each of the signatory states in a form substantially and materially consistent with the document attached as Exhibit B; *provided* that the Settling Attorneys General shall submit the Order and Stipulated Injunction to each of their respective state courts for entry within one hundred eighty (180) days following the execution of this AG Settlement Agreement.

RESTITUTION

2. The Zurich Insurers shall pay or cause to be paid to Settlement Class Members one hundred million dollars ($100,000,000) (the "Settlement Amount") plus fifty-one million seven hundred thousand dollars ($51,700,000) (the "Additional Settlement Amount"), which amounts (collectively, the "Combined Settlement Amount") will be distributed pursuant to the Plan of Allocation and which payment shall, as more fully set out in Paragraph 9, resolve all of the issues, allegations and claims that arise as to the Zurich Insurers pursuant to the Investigations; *provided* that, subject to the consent of the Settling Attorneys General, the payment of the Combined Settlement Amount shall be made pursuant to the terms and conditions set out in the Class Action settlement agreement, which terms and conditions shall provide, among other things, that, within ten (10) business days following preliminary approval of the settlement agreement by the Class Action Court, the Zurich Insurers shall (*i*) pay or cause to be paid an initial payment from the Combined Settlement Amount (the "Initial Payment") plus one hundred thousand dollars ($100,000) to cover the costs of providing notice to Settlement Class Members and (*ii*) deposit or cause to be deposited the Combined Settlement Amount less the Initial Payment into an escrow account, which account shall be subject to an escrow agreement that shall provide, among other things, (*a*) that the account shall be under the joint control of the Zurich Insurers, Co-Lead Counsel and the Settling Attorneys General and (*b*) for the payment of interest to Settlement Class Members on the monies deposited in the escrow account, with such interest to be calculated at the one-year LIBOR rate for the period starting from the date the monies are deposited into the escrow account until such date as the monies are transferred out of the escrow account after approval of the class action settlement becomes final and no longer

subject to appeal; *provided further* that the terms Settlement Amount, Settlement Class Members and Plan of Allocation have the same meaning as in the MOU.

3. No part of the Combined Settlement Amount shall be used to pay (*i*) the attorneys' fees or expenses of counsel for the Class Action Plaintiffs, including but not limited to the fees and expenses of Co-Lead Counsel (as that term is defined in the MOU), (*ii*) the attorneys' fees or expenses of any of the Settling Attorneys General or the Settling Insurance Regulators or (*iii*) any portion of the State Payment, as that term is defined in Paragraph 7 below. No portion of the Combined Settlement Amount shall be considered a fine or a penalty.

4. Pursuant to the terms of the MOU, the Plan of Allocation, which shall be subject to approval by the Class Action Court, shall be prepared by Co-Lead Counsel upon consultation with, and with the cooperation of, among others, the Settling Attorneys General, and shall provide that the Combined Settlement Amount shall be fairly allocated among the states and Settlement Class Members in a manner that responds to all of the Class Action Claims for the entirety of the Settlement Class Period; *provided* that, in negotiating the terms of the settlement agreement with the Class Action Plaintiffs, the Zurich Insurers will use their best efforts to ensure that the Settling Attorneys General be given an equal, rather than consultative, role with Co-Lead Counsel in preparing the Plan of Allocation; *provided further* that the terms Settlement Class Members and Settlement Class Period have the same meaning as in the MOU.

5. To the extent the Zurich Insurers or any of them enter into a Parallel Agreement with any state other than Ohio, the Zurich Insurers shall be given a credit against the Additional Settlement Amount (a "Settlement Credit"), which Settlement Credit shall equal the

amount paid pursuant to such Parallel Agreement; *provided* that application of the Settlement Credit shall be subject to the following:

a. no portion of the Settlement Credit shall be used to pay fines, penalties, fees or costs incurred in connection with any Investigation or any Parallel Agreement (including the NY Parallel Agreement);

b. the aggregate amount of all Settlement Credits applied against the Additional Settlement Amount pursuant to this Paragraph 5 shall not exceed thirty million nine hundred thousand dollars ($30,900,000), which amount shall be allocated as follows: twenty-nine million nine hundred thousand dollars ($29,900,000) shall be available as a Settlement Credit in connection with any monetary amount (other than the payment of a fine, penalty, fee or cost) that the Zurich Insurers must pay pursuant to a NY Parallel Agreement (the "NY Settlement Credit") and a total of one million dollars ($1,000,000) shall be available as a Settlement Credit in connection with any monetary amount (other than the payment of a fine, penalty, fee or cost) that the Zurich Insurers must pay pursuant to a Parallel Agreement other than, for an avoidance of doubt, a NY Parallel Agreement or an Ohio Parallel Agreement.

c. a Settlement Credit shall be applied against the Additional Settlement Amount and refunded to the Zurich Insurers from the escrow account after the amounts with respect to which the Zurich Insurers are seeking such Settlement Credit have been paid to insureds pursuant to the terms of the relevant Parallel Agreement; *provided* that if the amount distributed to insureds pursuant to the NY Parallel Agreement (the "NY Distributed Amount") is less than the NY Settlement Credit, the NY Settlement Credit shall be reduced by

an amount equal to the difference between the NY Settlement Credit and the NY Distributed Amount (the "NY Settlement Credit Balance").

d. This Paragraph 5 is subject to Paragraph 26 below.

6. If any portion of monetary relief (other than a fine, penalty, fee or cost) that the Zurich Insurers are required to pay or cause to be paid under the terms of a Parallel Agreement (including the NY Parallel Agreement) is not claimed by the persons or entities eligible to receive such relief under the Parallel Agreement and the Parallel Agreement provides for such unclaimed monetary relief to be distributed to Settlement Class Members (the "Spillover Amount"), such Spillover Amount shall be distributed to Settlement Class Members pursuant to the Plan of Allocation in a manner that is not inconsistent with the terms of the relevant Parallel Agreement; *provided* that if the NY Settlement Credit has been reduced pursuant to the proviso in Paragraph 5.c above, then, at the time the Spillover Amount is provided for distribution to Settlement Class Members, the NY Settlement Credit Balance shall be applied as a credit against the Additional Settlement Amount and refunded to the Zurich Insurers from the escrow account.

PAYMENT TO STATES

7. Within sixty (60) days following the execution date of this AG Settlement Agreement, the Zurich Insurers shall pay or cause to be paid by wire transfer, certified check or other guaranteed funds into an escrow account(s) as directed by the Settling Attorneys General the amount of twenty million dollars ($20,000,000) (the "State Payment"), which escrow account(s) shall be subject to an escrow agreement that shall provide, among other things, that (*i*) if this AG Settlement Agreement is terminated pursuant to its terms prior to December 27, 2006, the State Payment shall be refunded to the Zurich Insurers from the escrow account(s) less

any reasonable attorneys' fees and out-of-pocket expenses incurred by the Settling Attorneys General and the Settling Insurance Regulators in connection with their Investigations of the Zurich Insurers as of the date of termination and (*ii*) if this AG Settlement Agreement has not been terminated as of December 27, 2006, then the escrow account(s) shall be terminated and the State Payment (plus accrued interest) shall be distributed to the Settling Attorneys General and the Settling Insurance Regulators; *provided* that the State Payment represents (*a*) disgorgement in lieu of civil penalties and/or (*b*) attorneys' fees and costs that have been or that will be incurred by the Settling Attorneys General and/or the Settling Insurance Regulators relating to (*i*) their investigation of the acts, practices and courses of conduct that are the subject of this AG Settlement Agreement and the Regulatory Settlement Agreement, (*ii*) negotiating this AG Settlement Agreement and the Regulatory Settlement Agreement, (*iii*) facilitating notification to Settlement Class Members, (*iv*) monitoring and inspecting the implementation of, and providing consumer outreach regarding, the Class Action settlement, (*v*) obtaining final approval of the Class Action settlement by the Class Action Court that is no longer subject to appeal, (*vi*) responding to any appeals taken respecting the Class Action Court's approval of the Class Action settlement and (*vii*) monitoring and enforcing compliance with the Order. The State Payment shall be used as set forth in consent judgments between each Settling Attorney General and the Zurich Insurers to be entered in each of the signatory states' respective court and, absent limitations in such consent judgment and consistent with applicable state law, the monies may be, at the sole discretion of the Settling Attorney General in each signatory state, applied for any of the following purposes: (*i*) payment of attorneys' fees and costs, (*ii*) antitrust or consumer protection law enforcement, (*iii*) deposit into a state antitrust or consumer protection revolving

fund or (*iv*) any other use in accordance with state law; *provided further* that the Settling Attorneys General shall be responsible for allocating the State Payment among the Settling Attorneys General and the Settling Insurance Regulators.

NON-ADMISSIBILITY OF AGREEMENTS AND PROCEEDINGS

8. Nothing in the MOU, this AG Settlement Agreement, the Order, the Regulatory Settlement Agreement or any Parallel 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 Zurich Releasee (as that term is defined in Paragraph 9 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 a Zurich Releasee or the ability of a Zurich Releasee to do business is either challenged or being considered for any reason by such state entity; *provided however*, that nothing in this paragraph 8 shall prohibit a state entity from enforcing any provision of this AG Settlement Agreement.

RESOLUTION OF CLAIMS AND INVESTIGATIONS AND COVENANT NOT TO SUE

9. 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 Zurich Insurer, as to any of a Zurich 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, Zurich Financial Services), and as to any current or former director, officer or employee of any of the foregoing (collectively, the

"Zurich Releasees") directly relating to the acts, practices or courses of conduct that are the subject of the Investigations or relating to any acts, practices or courses of conduct that are addressed in the Class Action Claims; *provided however*, that Zurich Releasees shall not include (*i*) any individuals who were former officers or employees of the Zurich Insurers' business unit that was known as the Marsh & McLennan Global Broking unit (also known as the Zurich Insurers' MMGB Unit) and who are no longer officers or employees of a Zurich Releasee or (*ii*) any entity that may, following the execution of the AG Settlement Agreement, become a successor, parent or acquirer of the Zurich Insurers or any of them, but such entity shall not be a Zurich Releasee only with respect to such entity's participation, prior to becoming a successor parent or acquirer of the Zurich Insurers or any of them, in acts, practices or courses of conduct that are the subject of the Investigations.

10. The Settling Attorneys General shall not initiate any new, or reinstate any terminated, investigation, inquiry, claim and/or proceeding (whether formal or informal) as to any Zurich 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 or that are based upon the acts, practices or courses of conduct that are addressed in the Class Action Claims.

11. Nothing in paragraphs 9 and 10 above shall be deemed to release any individual or entity (including any broker, insurer, defendant in the Class Action, or individual or entity specifically excluded from the term "Zurich Releasee" in the proviso to Paragraph 9) other than those individuals and entities that are within the definition of Zurich Releasees.

12. Nothing in Paragraphs 9 and 10 shall be deemed to preclude a Settling Attorney General's or a Settling Insurance Regulator's review of acts, practices or courses of conduct that occur after the execution date of the AG Settlement Agreement.

13. In exchange for the consideration cited within this AG Settlement Agreement, the Settling Attorneys General covenant not to bring any action against the Zurich Releasees based upon or involving Finite Insurance/Reinsurance and/or Non-Traditional Products, which collectively, for purposes of this AG Settlement Agreement, is defined as any product or service that was entered into, completed, closed, purchased, developed, marketed, distributed, offered, sold, or authorized for sale or distribution by a Zurich Releasee that could be or was used to affect the timing or amount of revenue or expense recognized in any particular reporting period, including without limitation, transferring financial assets off of a counter-party's or a Zurich Releasee's balance sheet, extinguishing liabilities, avoiding charges or credits to the counter-party's or the Zurich Releasee's financial statements, deferring the recognition of a known and quantifiable loss, or transferring risk through an insurance transaction in which a material term relating to such risk transfer (whether or not legally enforceable) is not reflected in the formal written contractual documentation for the transaction; *provided* that nothing in this Paragraph 13 shall be construed as a release or as otherwise precluding any Settling Insurance Regulators, including without limitation, the Florida Department of Financial Services and the Office of Insurance Regulation of the State of Florida, from seeking and obtaining any and all relief against a Zurich Releasee for claims (if any) relating to Finite Insurance/Reinsurance and/or Non-Traditional Products.

OTHER PROVISIONS

14. The Settling Attorneys General will support before the Class Action Court the Class Action Court's approval of all terms and conditions of the MOU as incorporated into the Class Action settlement other than those relating to the payment of attorneys' fees and expenses to plaintiffs' counsel in the Class Action, with respect to which the Settling Attorneys General shall take no position.

15. The fact that the Zurich Insurers have entered into this AG Settlement Agreement is not intended to disqualify any Zurich Releasee from engaging in any business in any of the signatory states. Nothing in this AG Settlement Agreement shall relieve any of the Zurich Releasees from obligations imposed by any applicable state insurance law or regulation, or other applicable law.

16. This AG Settlement Agreement is not intended to and shall not confer any rights upon any persons or entities besides the Settling Attorneys General and the Zurich Releasees.

17. The Zurich 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.

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

19. Whenever this AG Settlement Agreement or the settlement agreement in the Class Action requires that notice be provided, such notice shall be provided by certified or registered mail, return receipt requested, postage prepaid or by hand delivery to:

If to the Settling Attorneys General:

Mark Tobey, Esq.
Chief, Antitrust and Civil Medicaid Fraud Division
Office of the Attorney General – State of Texas
300 W. 15th Street, 9th Floor
Austin, Texas 78701
Telephone: (512) 463-1262
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14th Floor, Strawberry Square
Harrisburg, PA 17120
Telephone: (717) 705-2523
Facsimile: (717) 705-7110

If to the Zurich Insurers:

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Alice Kane, Esq.
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Zurich North America
1400 American Lane
Schaumburg, Illinois 60196
Telephone: (847) 605-6000

20. This AG Settlement Agreement shall be governed by and interpreted according to the laws of State of New Jersey, excluding its conflict of laws provisions; *provided however*, that the Order 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.

21. All matters relating to the enforcement and interpretation of this AG Settlement Agreement shall be subject to the jurisdiction of the Class Action Court; *provided however*, that the Class Action Court's exercise of jurisdiction over this AG Settlement Agreement shall not constitute a basis for nor give rise to personal jurisdiction over Zurich Financial Services; *provided further* that, consistent with Paragraph V.32 of the Order, the state court in which the Order is entered shall retain jurisdiction to interpret and enforce the Order.

22. Nothing in this AG Settlement Agreement shall prevent or otherwise restrict a Settling Insurance Regulator from pursuing regulatory action against a Zurich Insurer for regulatory issues that are unrelated to claims released pursuant to Paragraphs 9 and 10 above.

23. 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 Zurich Insurers.

24. Nothing in this AG Settlement Agreement 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 a Zurich Insurer.

25. At any time prior to the date on which the Class Action Court's approval of the Class Action settlement agreement becomes final and no longer subject to appeal, each of the parties to this AG Settlement Agreement shall have the right, but not the obligation, to terminate this AG Settlement Agreement if (*i*) the MOU is terminated, (*ii*) any settlement agreement executed in the Class Action is terminated or (*iii*) the Court refuses to enter the Order and Stipulated Injunction in a form substantially and materially consistent with Exhibit B.

26. The Settling Attorneys General shall have the right, but not the obligation, to terminate this AG Settlement Agreement if the Zurich Insurers agree to make a payment (other than the payment of a fine, penalty, fee or cost) pursuant to any Parallel Agreement (other than the NY Parallel Agreement) that offers payments to insureds in the state that is party to the Parallel Agreement that are disproportionately higher than the payments offered to similarly situated insureds in other states pursuant to the Plan of Allocation (as that term is defined in the MOU) and the NY Parallel Agreement; *provided however*, that the ability of the Settling Attorneys General to terminate this AG Settlement Agreement pursuant to this paragraph shall expire as of the close of business on December 26, 2006.

27. The Settling Attorneys General shall have the right, but not the obligation to terminate this AG Settlement Agreement if they are not satisfied with the Plan of Allocation;

provided however, that the ability of the Settling Attorneys General to terminate this AG Settlement Agreement pursuant to this paragraph shall expire at the earlier of the date on which the Class Action Court's approval of the Class Action settlement agreement becomes final or the date on which the Class Action Court approves the Plan of Allocation.

28. If this AG Settlement Agreement is terminated, it shall be null and void and shall have no force or effect, and neither the Zurich Insurers nor the Settling Attorneys General shall be bound by any of its terms, except as follows:

a. The provisions of Paragraph 7 relating to the refund of the State Payment from the escrow account shall continue in effect.

b. Neither this AG Settlement Agreement, nor the fact of its having been made, shall be admissible or entered into evidence for any purpose whatsoever.

c. Neither the Zurich Insurers' agreement to the terms set out in this AG Settlement Agreement nor its execution of this AG Settlement Agreement shall constitute or be construed to be an admission by the Zurich Insurers or any of them that any wrongdoing has taken place, that any federal or state laws or common law have been violated, or that any antitrust injury has occurred.

Executed this 20th day of March, 2006.

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Executed this 17th day of March, 2006

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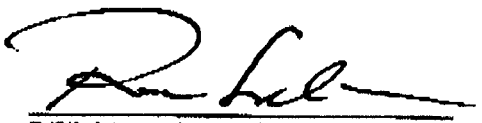
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