

1 Pollack, Esquire and Thomas Greene, Senior Assistant Attorney
2 General; sums totalling thirty six million dollars
3 (\$36,000,000.00) are to be paid to an escrow agent agreeable to
4 defendants and counsel for the State of California on behalf of
5 all Plaintiffs to be held in escrow pending the final approval by
6 the Court of this Settlement Agreement. Interest actually earned
7 after October 17, 1994, (after November 1, 1994 for amounts paid
8 by RAA) on sums making up the principal amount of the settlement
9 deposited in a Citibank escrow account established by Defendants,
10 less any charges by Citibank for maintaining the principal amount
11 of the settlement and accumulated interest after October 17,
12 1994, shall also be paid to such escrow agent agreeable to
13 Defendants and counsel for the State of California on behalf of
14 all Plaintiffs. The escrow agreement establishing the escrow
15 account is attached as Attachment B and is made a part of this
16 Agreement. Subject to Court approval, the escrowed funds shall
17 be allocated in the following manner:

18 a. Twenty one million dollars (\$21,000,000.00) shall
19 be distributed to and used by Plaintiffs' Counsel for the
20 development and implementation of a Public Entity Risk
21 Institute that is more fully described in Attachment C;

22 b. Five million two hundred thousand dollars
23 (\$5,200,000.00) shall be distributed to and used by the
24 Plaintiff States' Counsel for the development and
25 implementation of a risk data base plan that is more fully
26 described in Attachment D;

27 c. Six million five hundred thousand dollars

1 (\$6,500,000.00) plus seventy percent (70%) of all interest
2 earned on thirty million dollars (\$30,000,000.00) of the
3 escrow fund shall be distributed to counsel for Plaintiff
4 States, as identified in Attachment A, on account of costs
5 and attorneys fees;

6 d. Two million five hundred thousand dollars
7 (\$2,500,000.00) plus thirty percent (30%) of all interest
8 earned on thirty million dollars (\$30,000,000.00) of the
9 escrow fund shall be distributed to counsel for the Private
10 Plaintiffs, as identified in Attachment A, on account of
11 costs and attorneys fees;

12 e. Eight hundred thousand dollars (\$800,000.00) plus
13 all of the interest earned on six million dollars
14 (\$6,000,000.00) of the escrow fund shall be paid to counsel
15 for Plaintiff States, as identified in Attachment A, on
16 account of costs and attorneys fees. Subject to Court
17 approval, the distribution among Plaintiff States of costs
18 and fees referred to in subparagraphs c. and e. of this
19 paragraph shall be governed by the terms and conditions of
20 Attachment H.

21 f. Defendants hereby give Plaintiffs a proprietary
22 interest in any work concerning the Public Entity Risk
23 Institute or the risk data base plan, referred to in
24 subparagraphs a. and b. of this paragraph, developed in part
25 by Defendants and/or Defendants' consultants.

26 4. The Parties stipulate and agree for settlement purposes
27 only to certification of the following classes pursuant to Fed.

1 R. Civ. P. 23(b)(2) and (b)(3):

2 a. The Private Plaintiffs Settlement Class shall be
3 composed of all persons or entities that purchased or
4 attempted to purchase commercial general liability
5 insurance, commercial general liability excess and umbrella
6 insurance, environmental impairment liability insurance or
7 package policies including any of these coverages from any
8 defendant or other insurer or reinsurer for United States-
9 sited risks from January 1, 1984, through December 31, 1991.
10 This class shall include all governmental entities in and of
11 non-plaintiff States and shall exclude all governmental
12 entities included in the Plaintiff States Settlement Class.

13 b. The Plaintiff States Settlement Class shall be
14 composed of all governmental entities in and of each of the
15 Plaintiff States that purchased or attempted to purchase
16 commercial general liability insurance, commercial general
17 liability excess and umbrella insurance, environmental
18 impairment liability insurance or package policies including
19 any of these coverages from any defendant or other insurer
20 or reinsurer for United States-sited risks from January 1,
21 1984, through December 31, 1991.

22 5. Subject to Court approval, the Parties shall provide
23 notice, in the form attached as Attachment E, by first class mail
24 to each member of the Private Plaintiffs Settlement Class
25 identified as a purchaser from named Defendants by the Defendants
26 from their records and to each member of the Plaintiff States
27 Settlement Class identified by Plaintiff States from their

1 records. In addition, subject to Court approval, notice by
2 publication in the form of Attachment E shall be given to all
3 members of the Private Plaintiffs Settlement Class and the
4 Plaintiff States Settlement Class by publication at Defendants'
5 expense in the media and in accord with the schedule stated in
6 Attachment F.

7 a. It shall be the obligation of Defendants, at their
8 own expense, to identify each prospective member of the
9 Private Plaintiffs Settlement Class that can be identified
10 with reasonable effort and the Parties shall prepare and
11 submit for the Court's approval the plan and method by which
12 Parties propose that mailed and publication notice shall be
13 provided to such Class.

14 b. The cost of providing notice to the Private
15 Plaintiffs Settlement Class shall, without recourse, be
16 separately paid for by the Defendants.

17 c. It shall be the obligation of Plaintiff States, at
18 their own expense, to identify each prospective member of
19 the Plaintiff States Settlement Class that can be identified
20 with reasonable effort and the Parties shall prepare and
21 submit for the Court's approval the plan and method by which
22 Parties propose that mailed notice shall be provided to the
23 Plaintiff States Settlement Class.

24 d. The cost of providing notice to the Plaintiff
25 States Settlement Class shall be paid for out of the portion
26 of the escrow funds that are allocated for the payment of
27 costs and attorneys fees of Plaintiff States.

1 6. Within thirty (30) days after the deadline set by the
2 Court for class members to exclude themselves from the settlement
3 classes, the Defendants shall have the right, acting in good
4 faith, to terminate this Settlement Agreement, if after
5 reasonable inquiry a majority of the Defendants have concluded
6 that the number or claims of class members that have excluded
7 themselves from this settlement are a substantial and excessive
8 portion of the released claims.

9 a. If Defendants exercise their option to terminate
10 this Settlement Agreement, they shall notify counsel for
11 each Plaintiff via overnight mail and file a copy of their
12 election to terminate with the Court along with proof of
13 service in accordance with the Rules of Court and this
14 Settlement Agreement.

15 b. If Defendants exercise their option to terminate
16 this Settlement Agreement or if the Court disapproves this
17 Settlement Agreement or any material provision of it,
18 including the provisions dealing with the amount of
19 Defendants' payments, the obligation to provide notice to
20 the settlement class members, or the scope of the release,
21 this Settlement Agreement shall become null and void and all
22 monies paid into the escrow account plus any interest
23 accrued thereon, less the costs of notice to the Plaintiff
24 States Settlement Class, shall be returned to Defendants
25 sixty (60) days after the date of Defendants' termination or
26 Court disapproval.

27 7. If the Court disapproves this Settlement Agreement, or

1 any material provision of it, the Parties will negotiate in good
2 faith to amend this Settlement Agreement to obtain the Court's
3 approval.

4 8. The terms of this Settlement Agreement shall be binding
5 on, and shall inure to the benefit of, the Parties, their
6 successors, and all class members who have not timely excluded
7 their claims from this settlement.

8 9. In consideration of this Settlement Agreement, and
9 effective upon the Final Judgment becoming final pursuant to
10 Paragraph 13 of this Settlement Agreement, Plaintiffs and each
11 class member that has not timely excluded its claims from this
12 settlement shall have released, compromised and discharged each
13 claim or cause of action such Plaintiff or class member possessed
14 at any time prior to and including the date of this Settlement
15 Agreement against any of Defendants, and their present and former
16 parents, subsidiaries, affiliates, officers, directors, employees
17 and agents, that was or could have been alleged in the Complaints
18 of the Plaintiffs that (i) arises out of, or (ii) is in
19 furtherance of, or (iii) is related to any of the facts, matters
20 or conspiracies alleged in such complaints relating to the
21 purchase or attempted purchase of commercial general liability
22 insurance, commercial general liability excess and umbrella
23 insurance, environmental impairment liability insurance,
24 commercial property insurance, or package policies including any
25 of these coverages. This Settlement Agreement is not intended to
26 and does not affect any rights that may be held by Plaintiffs or
27 class members under policies of insurance actually purchased by

1 them. In addition:

2 a. to the extent of their participation in any of the
3 conduct of the RAA covered by this Paragraph 9, claims
4 against each member of RAA that is not a Defendant in any of
5 the complaints in these litigations shall be similarly
6 released, but such release shall not extend to the parents,
7 subsidiaries and affiliates of those non-Defendant, RAA
8 members that were not RAA members on the date of this
9 Settlement Agreement.

10 b. to the extent of their participation in any of the
11 conduct of the Lloyd's of London Defendants covered by this
12 Paragraph 9, claims against each member of Lloyd's of London
13 that is not a defendant in any of the complaints in these
14 litigations shall be similarly released.

15 10. Defendants agree to waive any and all claims which they
16 might bring against Plaintiffs or their agents, arising from the
17 prosecution or settlement of their federal and state antitrust
18 claims alleged in their Complaints as amended.

19 11. Plaintiffs and class members expressly reserve the
20 right to proceed against or sue any person or entity not released
21 in this Settlement Agreement for any claim or cause of action
22 whatsoever, including, without limitation, claims or causes of
23 action arising from the actions of any person released by this
24 Settlement Agreement. Further, Plaintiffs and class members
25 expressly reserve the right to proceed against or sue any person
26 released by this Settlement Agreement for all claims or causes of
27 action not released by this Settlement Agreement.

1 12. Plaintiffs and each member of the respective Settlement
2 Classes that has not timely excluded its claim from this
3 settlement fully understand that if any fact relating to any
4 matter covered by this Settlement Agreement is found hereafter to
5 be other than or different from the fact now believed by such
6 Plaintiffs or class members to be true, such Plaintiffs and class
7 members expressly accept and assume the risk of such possible
8 differences in fact and agree that this Agreement shall
9 nevertheless remain in effect and hereby expressly waive all the
10 rights and benefits of Section 1542 of the California Civil Code,
11 which reads as follows:

12 "A general release does not extend to claims which
13 the creditor does not know or suspect to exist in his
14 favor at the time of executing the release, which if
15 known by him must have materially affected his
16 settlement with the debtor."

17 13. The Parties consent to the entry of a Final Judgment on
18 Consent in the form attached as Attachment G. The Final Judgment
19 shall become final after expiration of the time for appeal or, if
20 appealed, after affirmance by the court of last resort to which
21 such an appeal has been taken and expiration of the time for
22 appeal. In determining the time for appeal, or review, the
23 provisions of Fed. R. Civ. P. 60, and the All Writs Act, 28 U.S.C
24 § 1651, shall not apply. Such Final Judgment on Consent shall,
25 in accordance with the provisions of Fed. R. Civ. P. 65(d), be
26 binding upon Defendants and their officers, agents, servants,
27 employees, and attorneys, and upon those persons in active

1 concert or participation with them who receive actual notice of
2 the Final Judgment on Consent by personal service or otherwise.
3 Such Final Judgment on Consent shall, inter alia, include the
4 following provisions:

5 a. For a period of 5 years, no employee of Defendant
6 Reinsurance Association of America ("RAA") or other person
7 acting in a representative capacity for RAA shall attend or
8 otherwise participate in any meeting of the ISO Board of
9 Directors, or any ISO committee with insurer members, ISO
10 industry liaison panel, or ISO insurer advisory panel in
11 which matters relating to the development of insurance forms
12 for commercial general liability insurance are considered.
13 This provision shall not prohibit the RAA from otherwise
14 commenting upon proposed commercial general liability policy
15 forms. Nothing herein shall prohibit any individual member
16 of RAA from providing ISO with its unilateral views
17 regarding commercial general liability policy forms.

18 b. For a period of 5 years, Defendants Aetna,
19 Hartford, CIGNA, I.N.A., Allstate and General Re shall not
20 exercise decision-making authority in ISO with respect to
21 general liability insurance forms that are filed or to be
22 filed in the United States. This provision shall not
23 prohibit a representative of Aetna, Hartford, CIGNA, I.N.A.,
24 Allstate and General Re from expressing the individual views
25 of that Defendant, proposing or commenting upon proposed
26 policy form matters, or participating in any ISO committee
27 having insurer members or the ISO Board of Directors.

1 c. For a period of 5 years, the other reinsurer
2 Domestic Defendants shall not attend or otherwise
3 participate in any meeting of the ISO Board of Directors or
4 any ISO committee having insurer members in which the
5 content of insurance forms for general liability insurance,
6 actual or prospective, to be developed or supported by ISO
7 is considered. Nothing herein shall, however, prohibit a
8 representative of one of these reinsurer Domestic Defendants
9 from expressing the individual view of that Defendant
10 regarding such forms or from attending or otherwise
11 participating in any such meeting as a representative of
12 another entity.

13 d. Each of the Domestic Defendants shall provide
14 notice of the terms of the Final Judgment on Consent
15 applicable to it to its relevant employees.

16 e. For a period of 5 years, no Foreign Reinsurer
17 Defendant shall agree (i) with any other reinsurer to refuse
18 to provide reinsurance for commercial general liability
19 insurance of United States-sited pollution risks; or (ii)
20 with any other retrocessional reinsurer to refuse to provide
21 retrocessional reinsurance to any reinsurer providing
22 reinsurance of primary commercial general liability or
23 property insurance of United States-sited pollution risks
24 where, in either event, the purpose of such agreement is to
25 coerce primary insurers to restrict or limit the scope of
26 commercial general liability or property insurance coverage
27 of United States-sited pollution risks on a basis other than

1 with respect to a specific transaction or risk.
2 Notwithstanding the immediately preceding sentence, it shall
3 not be a violation of this subparagraph for any Foreign
4 Reinsurer Defendant, in the course of customary London
5 market procedures for the underwriting of reinsurance or
6 retrocessional reinsurance, to initiate or accept terms of
7 coverage that contain or incorporate a provision excluding,
8 or defining the scope of, coverage for any commercial
9 general liability or property insurance of United States-
10 sited pollution risks.

11 f. The Foreign Reinsurer Defendants shall not be
12 bound by the so-called "Non Marine London Market Agreement
13 1987" (the "1987 LMX Agreement") in the conduct of their
14 business in the LMX market and, to the extent feasible, the
15 Foreign Reinsurer Defendants shall withdraw from the terms
16 of the 1987 LMX Agreement; provided, however, that nothing
17 contained herein shall prohibit any of the Foreign Reinsurer
18 Defendants from employing or incorporating any of the terms
19 of the 1987 LMX Agreement or the Letter of Intent referred
20 to therein as terms of coverage on individual risks if any
21 Foreign Reinsurer Defendant, in the exercise of its
22 individual underwriting judgment, deems it appropriate to do
23 so; and provided further, that nothing herein shall require
24 any Foreign Reinsurer Defendant to alter terms of coverages
25 already bound.

26 g. For a period of 5 years, no officers or employees
27 of any Foreign Reinsurer Defendant shall attend or otherwise

1 participate in any meeting of the ISO Board of Directors or
2 any ISO committees having insurer members, in which the
3 content of insurance forms for commercial general liability
4 insurance, actual or prospective, to be developed or
5 supported by ISO are considered; provided, however, that
6 nothing contained herein shall prohibit an officer or
7 employee of a Foreign Reinsurer Defendant from expressing
8 the unilateral views of the Foreign Reinsurer Defendant to
9 members or employees of ISO regarding the content of any
10 actual or prospective commercial general liability insurance
11 form.

12 h. Within 6 months of the date of entry of the Final
13 Judgment on Consent, the Foreign Reinsurer Defendants,
14 either separately or in any combination, shall establish and
15 maintain for a period of 5 years a program or programs for
16 the purpose of assuring compliance with applicable antitrust
17 and competition laws by its officers and employees. The
18 compliance program shall, at a minimum, entail the
19 preparation of a document enumerating and defining conduct
20 relevant to the reinsurance business that could, under
21 certain circumstances, constitute a violation of any or all
22 applicable antitrust and competition laws, and setting forth
23 the penalties that could flow from any such violation.
24 Additionally, during said 5 year period each Foreign
25 Reinsurer Defendant shall participate annually in one or
26 more seminars in which the antitrust and competition law
27 aspects of the following practices or categories of conduct

1 will be described: (i) subscription underwriting,
2 consortiums and pooling arrangements; (ii) market
3 agreements; (iii) price-fixing and allocation of markets;
4 and (iv) standardization of forms. For the purposes of this
5 subparagraph, the term "Foreign Reinsurer Defendant" shall
6 include Underwriters responsible for reinsurance of
7 commercial general liability risks emanating from North
8 America.

9 i. Within 30 days after the entry of the Final
10 Judgment on Consent, each of the Foreign Reinsurer
11 Defendants shall deliver a copy of this Settlement Agreement
12 and the relevant portions of the Final Judgment on Consent
13 to each of its officers, directors or employees who have or
14 exercise any underwriting authority for (i) reinsurance of
15 United States-sited risks insured under commercial general
16 liability policies or (ii) LMX retrocessional reinsurance.
17 Within 60 days after the date of entry of the Final Judgment
18 on Consent, each Foreign Reinsurer Defendant shall file with
19 the Court an affidavit confirming its compliance with the
20 provisions of this subparagraph.

21 j. Within 30 days after the date of entry of the
22 Final Judgment on Consent, the Foreign Reinsurer Defendants
23 shall provide notice of the terms of subparagraph f. of this
24 paragraph to the London brokers through which LMX business
25 is placed.

26 k. For a period of 5 years from the date of entry of
27 the Final Judgment on Consent, the successors of any of the

1 persons described in subparagraph i. of this paragraph shall
2 be provided with a copy of this Settlement Agreement and the
3 relevant portions of the Final Judgment on Consent within 60
4 days of having attained such position or status.

5 1. For a period of 5 years from the date of entry of
6 the Final Judgment on Consent, the Foreign Reinsurer
7 Defendants shall file with the Court annually an affidavit
8 verifying the continued implementation of a compliance
9 program that includes the terms set forth in subparagraph h.
10 of this paragraph.

11 14. Each of the Domestic Defendants represents that it has
12 had and continues to have in effect an antitrust compliance
13 program. Each Domestic Defendant hereby represents and promises
14 that it will continue or enhance its antitrust compliance program
15 to provide relevant compliance education to appropriate employees
16 regarding the legal standards imposed by state and federal
17 antitrust laws, the remedies that might be applied in the event
18 of a violation of such laws, and their obligations in the event
19 they observe any violations of such laws. Each of the Domestic
20 Defendants promises that this compliance program obligation shall
21 at a minimum continue for a period of five (5) years from the
22 date that the Final Judgment shall have become final pursuant to
23 paragraph 13 above. The obligations under this paragraph shall
24 only be enforceable as a contract right of the parties and shall
25 not arise under the Final Judgment on Consent and shall not be
26 enforceable under it.

27 15. Defendant Insurance Services Office, Inc. ("ISO") shall

1 be restructured in accordance with the terms stated more fully in
2 Attachment I.

3 16. Within sixty (60) days after the Final Judgment on
4 Consent becomes final pursuant to paragraph 13 of this Settlement
5 Agreement, Plaintiffs shall, to the fullest extent permitted by
6 law, with regard to all documents produced in this litigation or
7 in any prefiling investigation relating to this litigation, at
8 each Plaintiff's option, either (i) make all such documents
9 available for return to Defendants, or (ii) destroy all such
10 documents, and will provide Defendants with an affidavit
11 certifying to such return or destruction.

12 17. In the event that this Settlement Agreement shall be
13 consummated as to the Foreign Reinsurer Defendants, but not as to
14 all other Defendants, the Foreign Reinsurer Defendants will
15 cooperate with the discovery efforts of the Plaintiff States in
16 the Litigation. The Foreign Reinsurer Defendants will make
17 available the documents they have been required to maintain under
18 the Document Retention Order entered in the Litigation. In
19 addition, at a minimum, each Foreign Reinsurer Defendant will
20 make available for informal or formal fact-gathering: (a) a
21 Custodian of Records knowledgeable about the records maintained
22 by the Foreign Reinsurer Defendants and documents pertaining to
23 matters alleged in the Complaints; and (b) any management or
24 underwriter employee whom Plaintiff States have good cause to
25 believe possesses knowledge or information relevant to the
26 Litigation, including but not limited to each of the following
27 persons:

1 Robin A.G. Jackson
2 Graham J. McKean
3 Richard D. Hazell
4 Charles Skey
5 David P. Mann
6 James Teff

7 Where feasible, the Foreign Reinsurer Defendants will arrange to
8 make these witnesses available in the United States. At the
9 request of Plaintiff States, the Foreign Reinsurer Defendants
10 will use their best efforts to make other potential London
11 witnesses identified by Plaintiff States available to Plaintiff
12 States in London for formal or informal fact-gathering.

13 18. As quickly as practicable after the execution of this
14 Settlement Agreement, the Parties shall make application to the
15 Court for preliminary approval of this Settlement Agreement, the
16 conditional certification of the Settlement Classes and the
17 establishment of the schedule for giving notice to the Settlement
18 Classes and the holding of the hearing on final approval of this
19 Settlement Agreement.

20 19. This Settlement Agreement and Attachments A through I
21 contain the entire agreement and understanding of the Parties.
22 This Settlement Agreement shall not be modified except in writing
23 signed by each of the Parties or by their authorized
24 representatives; provided, however, that the Administrative
25 Liaison Counsel for the respective Parties may jointly modify the
26 terms of this Settlement Agreement solely for the purpose of
27 facilitating the details of settlement administration upon notice
to all other Parties.

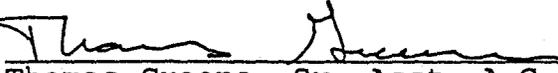
20. This Settlement Agreement may be executed by counsel
for the Parties and shall become effective on the date of

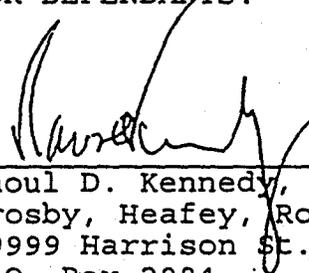
1 execution of this Settlement Agreement. Each counsel who
2 executes this Settlement Agreement, by his or her signature,
3 expressly represents that she or he is fully authorized by the
4 Party he or she represents to execute this Settlement Agreement.
5 This Settlement Agreement may be executed on separate signature
6 pages or in counterparts with the same effect as if all Parties
7 had signed the same instrument.

8 21. This Settlement Agreement is entered into and shall be
9 construed in accordance with the laws of the State of California.

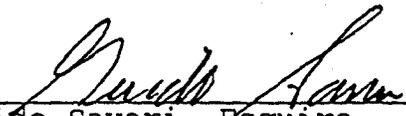
10 FOR PLAINTIFF STATES:

FOR DEFENDANTS:

11
12 
13 Thomas Greene, Sr. Asst. A.G.
14 1515 K Street, Suite 511
15 Sacramento, CA 94244

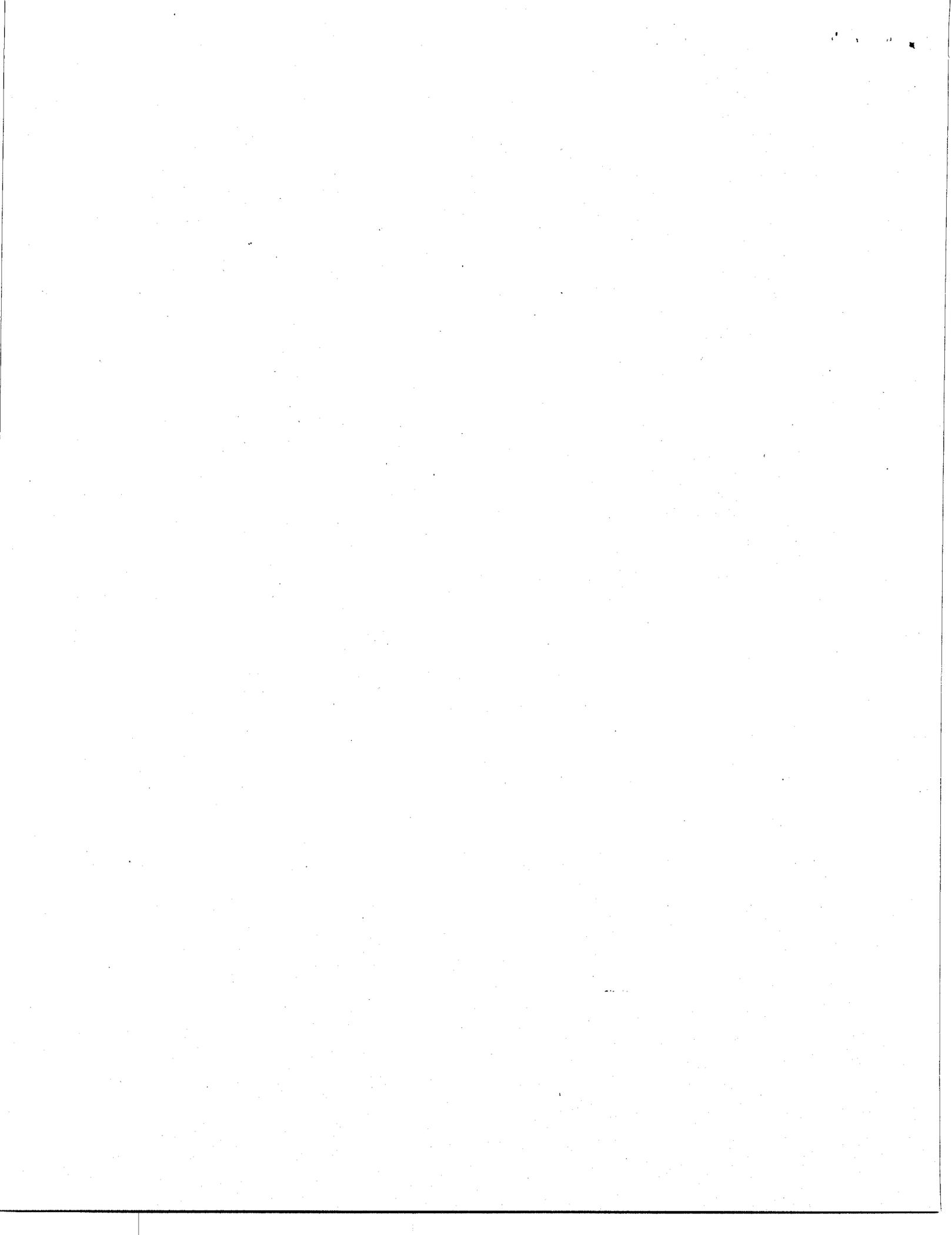

16 Raoul D. Kennedy, Esquire
17 Crosby, Heafey, Roach & May
18 19999 Harrison St.
19 P.O. Box 2084
20 Oakland, CA 94604

21 FOR PRIVATE PLAINTIFFS:

22
23 
24 Guido Saveri, Esquire
25 Saveri & Saveri
26 One Market Plaza, 4th Floor
27 San Francisco, CA 94105

A T T A C H M E N T

A



1 ATTACHMENT A.

2 As used in the Settlement Agreement dated January 12, 1995,
3 the following terms shall have the following definitions:

4 "Defendants" shall collectively refer to the Domestic
5 Defendants and the Foreign Reinsurer Defendants.

6 "Domestic Defendants" shall collectively refer to the
7 following:

8 Hartford Fire Insurance Company ("Hartford")
9 Aetna Casualty and Surety Company ("Aetna")
10 Allstate Insurance Company ("Allstate")
11 General Reinsurance Corporation ("General Re")
12 Insurance Services Office, Inc. ("ISO")
13 CIGNA Corporation ("CIGNA")
14 Insurance Company of North America ("I.N.A.")
15 Constitution Reinsurance Corporation
16 Mercantile & General Reinsurance Company of America
17 North American Reinsurance Corporation
18 Prudential Reinsurance Company
19 Reinsurance Association of America ("RAA")
20 Winterthur Swiss Insurance Company (except with respect
21 to Paragraph 14, where this term refers to its
22 subsidiary Winterthur Reinsurance Corporation of
23 America)
24 Alexander Reinsurance Intermediaries, Inc.

25 "Foreign Reinsurer Defendants" shall collectively refer to the
26 following:

27 CNA Re (U.K.) Ltd.
28 Excess Insurance Company Limited
29 London and Edinburgh Insurance Group, Ltd.
30 Kemper Reinsurance London Ltd.
31 Unionamerica Insurance Company, Ltd.
32 Continental Reinsurance Corporation (U.K.) Limited
33 Merrett Underwriting Agency Management Limited
34 Three Quays Underwriting Management Limited
35 Janson Green Management Limited
36 C.J.W. (Underwriting Agencies) Limited
37 Lambert Brothers (Underwriting Agencies) Limited
38 Murray Lawrence & Partners
39 D.P. Mann Underwriting Agency Limited
40 Robin A.G. Jackson
41 Peter N. Miller
42 Oxford Syndicate Management Limited
43 Edwards & Payne (Underwriting Agencies) Limited
44 Ballantyne, McKean & Sullivan Limited
45 R. K. Carvill & Co., Ltd.
46 Terra Nova Insurance Co., Ltd.

1 "Plaintiffs" shall collectively refer to the Plaintiff States
and the Private Plaintiffs.

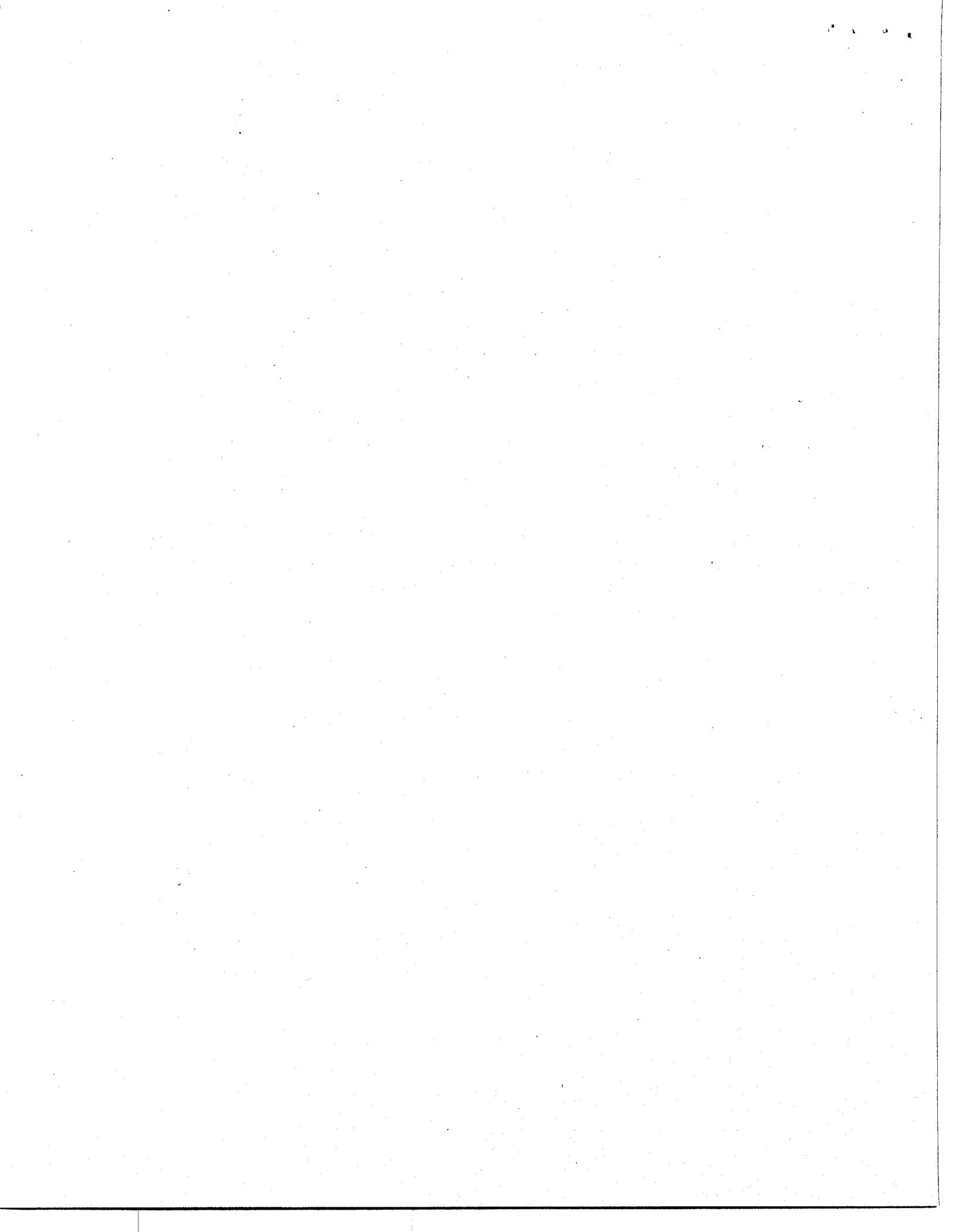
2 "Private Plaintiffs" shall collectively refer to the
3 following:

- 4 Bay Harbor Park Homeowner's Association
- 5 Jerry Grant Chemical Associates, Inc.
- 6 Big D Building Supply Cororation
- 7 Anastasios Markos, t/a Municipal Exxon
- 8 Environmental Aviation Sciences, Inc.
- 9 Acme Corrugated Box Company
- 10 P & J Casting Corporation
- 11 Carlisle Day Care Center, Inc.
- 12 Bensalem Township Authority
- 13 Carmella M. "Boots" Liberto, t/a R.R. Liberto, Inc.
- 14 Ace Check Cashing, Inc.
- 15 Henry L. Rosenfeld t/a Mobile Check Cashing

16 "Plaintiff States" shall collectively refer to the following:

- 17 State of California
- 18 Commonwealth of Massachusetts
- 19 State of Minnesota
- 20 State of New York
- 21 State of Alabama
- 22 State of Arizona
- 23 State of West Virginia
- 24 State of Wisconsin
- 25 State of Maryland
- 26 State of Montana
- 27 State of Alaska
- State of Michigan
- State of New Jersey
- State of Colorado
- State of Washington
- State of Ohio
- State of Connecticut
- State of Florida
- State of Louisiana
- Commonwealth of Pennsylvania

ESCROW AGREEMENT



IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN RE INSURANCE ANTITRUST LITIGATION) C-88-1688
_____) (All Cases)

ESCROW AGREEMENT

This agreement is made and entered into on January ____, 1995 by Raoul D. Kennedy, acting on behalf of the Defendants listed in Attachment A to the Settlement Agreement (the "Defendants"); Thomas Greene, Assistant Attorney General for the State of California, acting on behalf of the Plaintiffs listed in Attachment B to the Settlement Agreement (the "Plaintiffs"); Union Bank, San Francisco, California (the "Escrow Agent"); Alex, Brown & Sons, Incorporated (the "Investment Counsel"); and David M. Simpson, CPA (the "Administrative Agent").

WHEREAS

A. Plaintiffs and Defendants have entered into an agreement in principle of settlement in the above-captioned litigation; and

B. Pursuant to the Settlement Agreement and subject to final Court approval, the Defendants have deposited into an escrow account at Citibank, New York, the amount of \$36,000,000.00; and

C. Plaintiffs have requested and Defendants have agreed to transfer the \$36,000,000.00 now on deposit in an escrow account at Citibank, New York, together with interest actually earned after

October 17, 1994, (after November 1, 1994 for amounts paid by RAA) on sums making up that principal amount of the settlement less any charges by Citibank for maintaining the principal amount and accumulated interest after October 17, 1994; and

D. The parties to this agreement seek to set forth (a) the terms and conditions pursuant to which an escrow account shall be created for the deposit of the money the Defendants have agreed to transfer to Escrow Agent and (b) the rights, duties, liabilities, privileges and immunities of the Escrow Agent, Investment Counsel and Administrative Agent with respect to the administration of this account;

NOW, THEREFORE, all parties intending to be legally bound, hereby agree as follows:

1. Establishment of the Fund

A. Raoul D. Kennedy, acting on behalf of the Defendants, agrees to deliver to the Escrow Agent, on January ___, 1995, by wire transfer, the monies described in Whereas paragraph C, above, which monies, with income earned thereon and other authorized additions and reductions (the "Escrow Amount"), shall constitute a settlement fund for the benefit of Plaintiffs to be held in an escrow account ("Escrow Account") for investment prior to final Court approval of the settlement.

B. Such transfer is subject to the right of the Defendants to obtain prompt return of the entire Escrow Amount in the event that the settlement agreement is terminated or becomes null and void

for any reason. In order to assure prompt return without impairing investment opportunities, said return may be effected by transferring the investment holdings in the Escrow Account in lieu of cash.

2. Treatment of the Fund

A. The Escrow Agent agrees to hold all sums wired by Raoul D. Kennedy for purposes of funding the settlement of the Insurance Antitrust Litigation as Escrow Agent, and will make disbursements from the Fund only as provided in this Agreement, including exchange of money for securities, or securities for securities, as directed by the investment Counsel, pursuant to the terms of this Agreement.

B. Escrow Agent acts hereunder as a depository only, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of the subject matter of the escrow, or any part thereof, or for the identity or authority of any person executing or depositing it.

C. Escrow Agent shall hold the Escrow Amount separately and segregated from all other funds or accounts held by the Escrow Agent.

3. Investment of Escrow Account Funds

A. The Investment Counsel shall exercise due prudence in directing the investment and reinvestment of the Escrow Amount by the Escrow Agent in secure instruments such as Treasury Bills, Treasury Notes, Treasury Bonds and federal agency securities.

Subject to the written approval of Raoul D. Kennedy and Thomas Greene, the Investment Counsel may direct other investments offering a higher return with similar security.

B. All such investments (including principal, interest, and sale proceeds), shall at all times constitute a part of the Escrow Amount, and all income and profits on such investment shall be credited to, and losses thereon shall be charged against, the Escrow Account. Defendants shall incur no additional liability under the Settlement Agreement on account of any such losses or on account of any deductions for compensation of the Escrow Agent, Investment Counsel and Administrative Agent or for taxes.

C. Subject to the written approval of Raoul D. Kennedy and Thomas Greene, the Investment Counsel may direct the sale of such investments by the Escrow Agent from time to time as required to disburse funds in accordance with this Escrow Agreement.

4. Duties of Escrow Agent

A. Escrow Agent shall invest the Escrow Amount as directed by the Investment Counsel, subject to the provisions and limitations of paragraph 3., subparts A through C, of this Agreement. Escrow Agent shall, upon request by the Investment Counsel or Administrative Agent, provide the Investment Counsel or Administrative Agent with such information about the Escrow Amount as the Investment Counsel or Administrative Agent, in their discretion, deems necessary to satisfy their obligations under this Agreement.

B. Escrow Agent shall make payments from the Escrow Account as agreed by the parties, or as may be ordered by the United States District court for the Northern District of California. These payments include, but are not limited to, payments described in settlement documents filed in this litigation, and payments of certain escrow and administrative costs are detailed herein.

C. Escrow Agent shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Account, and all accounts, books and records relating to the Account, shall be open to inspection and audit at all reasonable times by any person designated by Raoul D. Kennedy or Thomas Greene.

D. Escrow Agent shall provide to Raoul D. Kennedy and to Thomas Greene a monthly statement, on the _____ day of each month subsequent to the execution of this Agreement, reflecting all transactions involving the account, including all purchases, sales or exchanges of securities, gains, losses, interest or dividends earned, deposits and withdrawals. Such information shall also be given to the Court upon request by the Court or by another party hereto.

5. Duties of Investment Counsel

A. Investment Counsel shall direct the Escrow Agent to invest the Escrow Amount in accordance with the provisions and

limitations of paragraph 3., subparts A through C, of this Agreement.

B. Investment Counsel shall provide to Raoul D. Kennedy and to Thomas Greene a monthly statement, on the _____ day of each month subsequent to the execution of this Agreement, reflecting all investment transactions it has directed on the account, including all purchases, sales or exchanges of securities, gains, losses, interest or dividends earned, deposits and withdrawals. Such information shall also be given to the Court upon request by the Court or by another party hereto.

6. Duties of Administrative Agent

A. The Administrative Agent shall take all steps necessary to ensure that any tax obligations imposed upon the Escrow Account are paid. To the extent necessary to satisfy this objective, the Administrative Agent is hereby authorized to, among other things (i) obtain a tax identification number for the Escrow Account, (ii) communicate with the Internal Revenue Service and the California Franchise Tax Board on behalf of the Escrow Account, (iii) make payment of taxes on behalf of the Escrow Account (which taxes will be paid out of Escrow Account assets), and (iv) file all applicable tax returns for the Escrow Account.

B. The Administrative Agent shall apprise Raoul D. Kennedy and Thomas Greene, on a timely basis, of the status of any work being done by it in connection with the Administrative Agent's obligations under this Agreement and shall provide to them copies

of any written communications with any governmental entity on behalf of the Escrow Account.

C. Raoul D. Kennedy and Thomas Greene shall have the joint right at any time, with or without cause, to rescind the authority of the Administrative Agent to administer the Escrow Account. Such termination shall be effective upon the expiration of fifteen (15) days after the date written notification is provided to the Administrative Agent.

7. Compensation of Escrow Agent

In full consideration for the services that it will provide, Escrow Agent shall receive fees and reimbursements in accordance with a schedule to be agreed upon in writing by the parties hereto. All such fees shall constitute a direct charge against the Escrow Account, but the Escrow Agent shall not debit the Escrow Account for any such charge until it has presented its statement to and received approval of Raoul D. Kennedy and Thomas Greene, which approval shall not be unreasonably withheld.

8. Compensation of Investment Counsel

In full consideration for the services that it will provide, Investment Counsel shall receive fees and reimbursements in accordance with a schedule to be agreed upon in writing by the parties hereto. All such fees shall constitute a direct charge against the Escrow Account, but the Escrow Agent shall not debit the Escrow Account for any such charge until the Investment Counsel has presented its statement to and received approval of Raoul D.

Kennedy and Thomas Greene, which approval shall not be unreasonably withheld.

9. Compensation of Administrative Agent

In full consideration for the services that it will provide, Administrative Agent shall receive fees and reimbursements in accordance with a schedule to be agreed upon in writing by the parties hereto. All such fees shall constitute a direct charge against the Escrow Account, but the Escrow Agent shall not debit the Escrow Account, for any such charge until the Administrative Agent has presented its statement to and received approval of Raoul D. Kennedy and Thomas Greene, which approval shall not be unreasonably withheld.

10. Termination of the Investment Counsel

Raoul D. Kennedy and Thomas Greene shall have the joint right to rescind the authority of the Investment Counsel to direct investment of the Escrow Amount. Such termination shall be effective upon written notification to the Investment Counsel and to other parties to this Agreement.

11. Termination of the Escrow Account

A. Raoul D. Kennedy and Thomas Greene shall have the joint right to rescind the authority of the Escrow Agent to hold the Escrow Amount. Such termination shall be effective upon the expiration of fifteen days after the date written notification to the Escrow Agent and to other parties to this Agreement. Upon such

termination the Escrow Agent shall disburse the full balance of the Account as directed by Raoul D. Kennedy and Thomas Greene.

B. Upon receipt of written notice signed by Raoul D. Kennedy and Thomas Greene stating that the (a) the Court has entered an order granting final approval to the settlement, and (b) the Court has ordered distribution of the Escrow Amount, the Escrow Agent shall proceed to distribute the Escrow Amount as ordered by the Court.

C. Upon receipt of written notice signed by Raoul D. Kennedy to Escrow Agent and to Thomas Greene stating either that (a) after reasonable inquiry, a majority of the Defendants have concluded that the number or claims of class members that have excluded themselves from this settlement are a substantial and excessive portion of the released claims and that the Defendants have, therefore, exercised their option to terminate the settlement or (b) the Court has disapproved the settlement, Escrow Agent shall disburse the entire Escrow Amount, less costs actually incurred to provide notice to the Plaintiff States Settlement Class pursuant to paragraph 5.d. of the Settlement Agreement, to Raoul D. Kennedy as Defendants' representative 60 days after the date of Defendants' termination or Court disapproval specified in such notice from Raoul D. Kennedy.

12. Disagreements Among Parties

In the event of any disagreement between or among any of the parties to this Agreement, resulting in adverse or conflicting

claims or demands being made in connection with the subject matter of the escrow, or in the event that the Escrow Agent, in good faith, be in doubt as to what action it should take hereunder, Escrow Agent may at its option refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continue or such doubt exist. In any such event, Escrow Agent shall not be liable in any way for its failure or refusal to act, and shall be entitled to continue so to refrain from acting until (a) the rights of all parties have been fully and finally adjudicated by a court of competent jurisdiction or (b) all differences shall have been adjusted and all doubt resolved by agreement among all parties and Escrow Agent shall have been notified thereof in writing signed by all parties.

13. Resignation of Escrow Agent

Escrow Agent may in its sole discretion resign and terminate its position hereunder at any time following 60 days written notice to the parties to this Escrow Agreement. Any such resignation shall terminate all obligations and duties of the Escrow Agent. On the effective date of resignation Escrow Agent shall deliver this Escrow Agreement together with any and all related instruments or documents to any successor escrow agent agreeable to the parties, subject to this Escrow Agreement. If a successor escrow agent has not been appointed prior to the expiration of 60 days following the date of the notice of such resignation, the then acting Escrow Agent may petition any court of competent jurisdiction for the

appointment of a successor escrow agent, or other appropriate relief.

14. Resignation of Investment Counsel

Investment Counsel may in its sole discretion resign and terminate its position hereunder at any time following 30 days' written notice to the parties to this Escrow Agreement. Any such resignation shall terminate all obligations and duties of the Investment Counsel. On the effective date of resignation Investment Counsel shall deliver its files and materials relevant to this Escrow Agreement to the parties or to any successor Investment Counsel agreeable to the parties subject to this Escrow Agreement.

15. Resignation of Administrative Agent

Administrative Agent may in its sole discretion resign and terminate its position hereunder at any time following 30 days' written notice to the parties to this Escrow Agreement. Any such resignation shall terminate all obligations and duties of the Administrative Agent. On the effective date of resignation Administrative Agent shall deliver its files and materials relevant to this Escrow Agreement to the parties or to any successor Administrative Agent agreeable to the parties subject to this Escrow Agreement.

16. Notice

Unless otherwise provided for in this Agreement, all communications required or permitted to be provided by

Administrator to the parties shall be given in writing to Raoul D. Kennedy, Crosby, Heafey, Roach & May, 1999 Harrison Street, Oakland, California 94612 (510-763-2000), and Thomas Greene, Assistant Attorney General, 1515 K Street, Sacramento, California 94244-2550, (916-324-7874).

17. Execution of Escrow Agreement

A. The signatories hereto represent and warrant that they are fully authorized to enter into and execute this Escrow Agreement on behalf of the respective parties hereto.

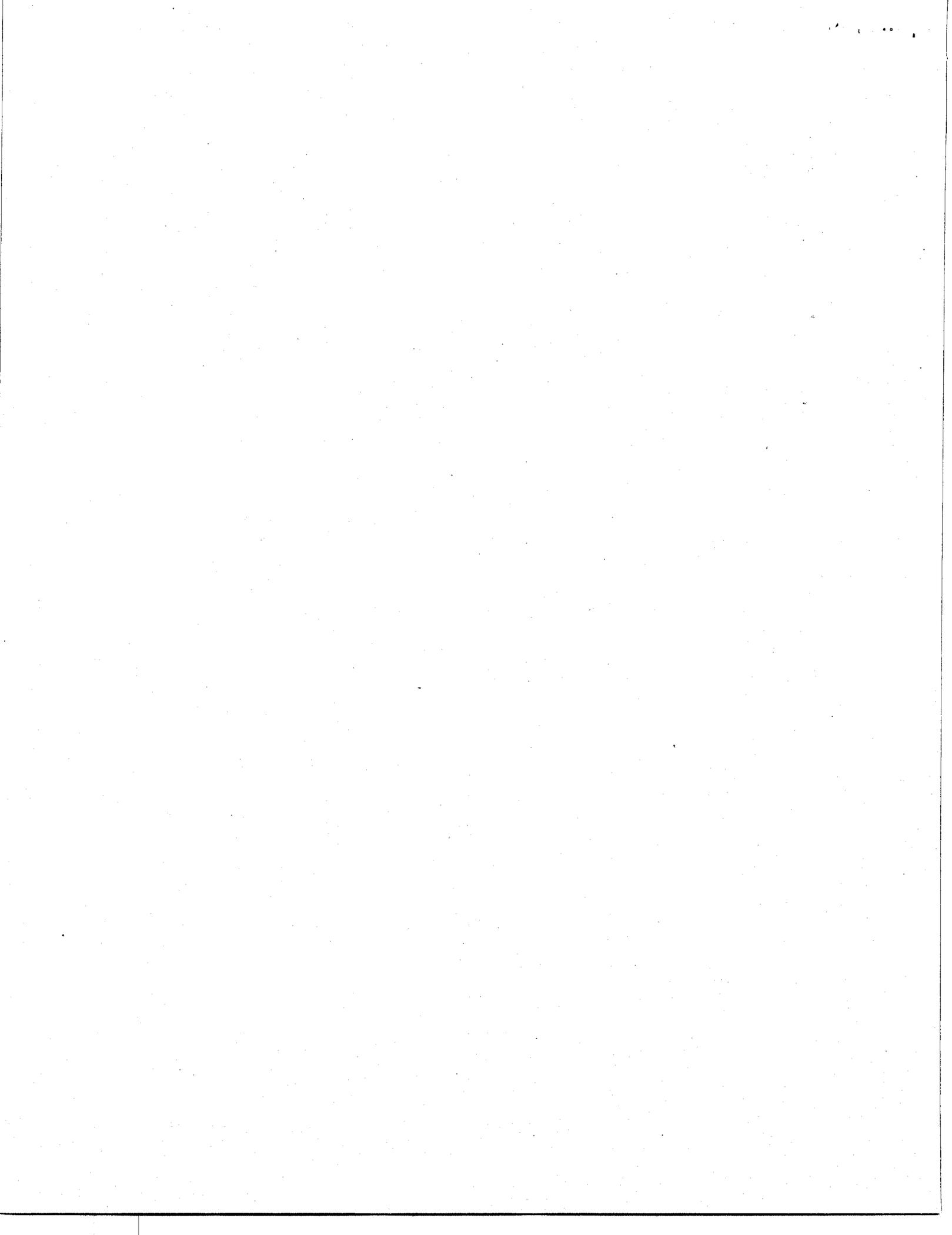
B. This Escrow Agreement may be executed in counterparts, all of which together shall be deemed to constitute an agreement. Any party may execute this Escrow Agreement and become a party hereto by signing any such counterpart.

C. This Escrow Agreement may be amended at any time by a written instrument signed by all parties hereto.

[Signatures]

A T T A C H M E N T

C



Attachment C

I. Public Entity Risk Institute

Plaintiffs' Counsel shall establish the Public Entity Risk Institute (PERI) with \$21,000,000 in settlement funds. Such funds may only be used for the development, implementation and operation of the Public Entity Risk Institute consistent with the below described mission statement and implementation plan.

A. Mission Statement

PERI will provide high quality technical services, training and education to policyholders, self-insured entities and public entity pools. PERI will serve as a permanent, but dynamic "forward thinking" resource for the practical enhancement of public and private risk management. While the focus shall be on the needs of public entities, programs will be developed with an awareness that private entities (particularly small non-profit organizations and businesses) share many of the same needs as public entities. Such programs will be developed to facilitate adaptation to the needs of private non-profit and for-profit risk management to the extent practicable.

B. Summary of Implementation Plan

PERI will be organized as a non-member, not-for-profit tax-exempt institution. PERI will be governed by a five member Board of Directors comprised of three representatives from the public sector, one from the private non-profit sector and one from the private for-profit sector. Settlement funds will permit PERI to develop an organizational infrastructure and to establish a strong foundation of service. This initial endowment may

1 eventually be replaced through fees for services and other
2 sources of revenue. PERI will be permitted to use the principal
3 and income of its endowment for all operations consistent with
4 its mission.

5 PERI will employ an Executive Director and such professional
6 and support staff as are necessary to carry out its mission under
7 a plan of operation to be approved by the Board of Directors. In
8 some cases, PERI may use outside contractors for the provision of
9 programs and services. Technical advisory committees shall be
10 utilized to provide program and policy guidance to the staff and
11 the Board.

12 PERI will provide a combination of service programs and
13 demonstration grant programs. PERI service programs will
14 initially focus on four important needs of public and private
15 entities: liability loss prevention and control training;
16 property and liability catastrophe management; environmental
17 impairment liability reduction; and insurance consumer training
18 for small entities. The Board of Directors shall be free to
19 implement PERI's programming in stages as it deems fiscally and
20 developmentally appropriate, except that consumer training for
21 small entities shall at all times be a part of PERI programming
22 and services.

23 In addition to the service programs, PERI shall administer a
24 program of demonstration grants. The program shall distribute a
25 minimum of \$6,000,000 of grants over the first ten years of
26 PERI's existence. The objectives of the grant program are to
27 stimulate fresh and creative thinking and to maintain vibrancy in

1 PERI programming.

2 PERI's Board of Directors shall determine the appropriate
3 location and configuration of PERI's operational facility.

4 C. Coordination and Interaction with Existing Organizations

5 The parties in the formation of PERI acknowledge the
6 existence of various membership associations that provide risk
7 management services. These organizations include the Public Risk
8 Management Association (PRIMA), the National League of Cities
9 (NLC-RISC), the National Association of Counties (NACO), the Non-
10 Profit Risk Management Center, the International City and County
11 Managers Association (ICMA) and others. PERI shall not be
12 designed to usurp the functions of such organizations. Rather,
13 PERI will provide synergy among the various organizations and
14 supplement existing programs. Joint ventures will be encouraged.
15 Such organizations will be invited to participate on PERI
16 advisory committees and will be encouraged to apply for
17 demonstration grants. Overall, PERI's programs will be a
18 catalyst in the risk management community and will be a vehicle
19 for the allocation of greater resources to certain key risk
20 management needs.

21 II. Programs and Services

22 A. Service Programs

23 PERI service programs will initially focus on five important
24 needs of public and private entities: liability loss prevention
25 and control training; property and liability catastrophe
26 management; environmental impairment liability reduction;
27 insurance consumer training for small entities; and the

1 establishment of a centralized, permanently maintained resource
2 center. The Board of Directors of the Public Entity Risk
3 Institute shall determine the appropriate level and design and
4 implementation schedule of PERI's programs. Set out below are
5 non-binding guides to the development of such services.

6 1. Liability Loss Prevention and Control Training

7 A comprehensive program of loss prevention training will be
8 developed and implemented. The focus will be on the mitigation
9 of liability risks rather than the more traditional loss control
10 focus on workplace and employee safety. Some liability risks
11 likely to receive emphasis include:

- 12 -- law enforcement and security activities including
13 training and supervision, development of policies and
14 procedures for high risk areas such as vehicle pursuit,
15 use of force, use of firearms, civil disturbances, and
16 arrests and incarcerations;
- 17 -- governing board actions with particular emphasis on
18 land use decisions, procedures for granting contracts,
19 personnel-related actions, and dealing with the public
20 and press in ways to avoid liability;
- 21 -- employment related actions including hiring, demotions,
22 firing, disciplinary actions, sexual harassment, and
23 ADA compliance; and
- 24 -- public property, emphasizing streets and roads and
25 playgrounds, water and recreation-related exposures.

26 PERI resources should be used wherever possible to leverage
27 existing training programs. Existing delivery mechanisms should

1 be exploited. Enhanced training materials and delivery systems
2 should be developed whenever appropriate. Joint venturing should
3 be encouraged.

4 2. Property and Liability Catastrophe Management

5 PERI will develop and implement a program to assist public
6 entity pools, insureds and self-insureds in managing the risk of
7 catastrophes such as major fires, hurricanes, earthquakes,
8 windstorms and civil disorders. This would include education on
9 modern appraisal and inventory systems, development of
10 specialized software to support property management, computer
11 modeling services for measuring the effect of potential
12 catastrophes, and contingency planning and emergency
13 preparedness. The focus will be on ways to minimize the loss of
14 life and property and to continue providing vital public
15 services.

16 3. Environmental Impairment Liability Reduction

17 PERI will serve as a technical resource Institute and direct
18 provider of services aimed at reducing the risks of environmental
19 impairment. This will include designing EIL reduction programs,
20 providing direct technical assistance and serving as a conduit
21 and catalyst for accessing cost-effective private services.

22 Probable EIL risks to be addressed include:

- 23 -- hazardous materials handling;
- 24 -- asbestos and lead abatement;
- 25 -- landfill closure and monitoring;
- 26 -- new landfill design and funding;
- 27 -- public waste stream reduction programs;

- 1 -- incinerator ash disposal;
- 2 -- chemical use, storage and disposal;
- 3 -- contaminated tax-deeded properties; and
- 4 -- public waste stream reduction programs.

5 Services that could be available include:

- 6 -- exposure analysis so public entities can determine
- 7 problems that may arise from previous activities;
- 8 -- development of standard policies and procedures
- 9 regarding environmental issues;
- 10 -- pre-loss legal assistance to identify and understand
- 11 environmental laws and regulations that may impact
- 12 public entity liability exposures;
- 13 -- post-loss legal services should a loss occur;
- 14 -- pre-loss engineering (prevention); and
- 15 -- post-loss emergency action plans, such as remediation
- 16 (clean up) of owned property and mitigation of
- 17 liability to third parties.

18 This program should provide technical resources not resident
19 in most public entities and funding not easily included in annual
20 budget appropriations. Emphasis should be on reducing the
21 potential cost of those environmental impairment liabilities that
22 cannot be transferred through contract.

23 4. Insurance Training & Education For Small
24 Organizations

25 PERI will develop a training and education program for small
26 public entities that are still heavily dependent upon commercial
27 liability insurance coverages. Various modules of training and

1 education will also be made available to small business and
2 private non-profit organizations with similar needs. The object
3 will be to produce more educated insurance consumers. Examples
4 of topics would include:

- 5 -- Description of liability insurance coverages generally
6 needed by:
 - 7 -- Public entities
 - 8 -- Private non-profit entities
 - 9 -- small businesses;
- 10 -- Methods of securing coverages:
 - 11 -- from insurance agents and brokers
 - 12 -- from direct-writers
 - 13 -- from association-sponsored and other group
14 programs;
 - 15 -- Agent/broker selection and compensation;
 - 16 -- Methods of soliciting insurance proposals;
 - 17 -- competitive bids;
 - 18 -- pre-qualification;
 - 19 -- How to prepare bid specifications;
 - 20 -- How to compare alternative quotes;
 - 21 -- Understanding policy language; and
 - 22 -- Understanding policyholder rights.

23 5. Public Liability Resource Center

24 PERI would assemble and maintain a permanent public
25 liability resource center containing relevant publications,
26 research materials developed, and training aids in the following
27 areas:

- 1 -- Law enforcement liability;
- 2 -- Environmental liability;
- 3 -- Emergency response and preparedness;
- 4 -- Employment liability issues;
- 5 -- Civil rights violations and liability under federal
- 6 law;
- 7 -- Zoning and land use; and
- 8 -- Insurance purchasing.

9 These materials would be made reasonably available to public
10 entity representatives at no charge. Technical research
11 assistance would be available, particularly where current
12 clearinghouse functions of existing research repositories have
13 been exhausted. Extensive research assistance may be provided on
14 a fee for service basis. Coordination with the PRIMA
15 clearinghouse would be required.

16 B. Demonstration Grant Programs

17 In addition to the service programs described above, PERI
18 shall administer a program of demonstration grants. The
19 objectives of the grant program are to stimulate fresh and
20 creative thinking, generate original research and practical
21 applications of research, and maintain vibrancy in PERI
22 programming. PERI shall award at least \$6,000,000 in grants over
23 its first ten years of existence. PERI's Board of Directors
24 shall determine the appropriateness of any such grants and may
25 determine the level of grants to be awarded in any given year, or
26 that no grants be awarded in any given year.

27 1. Eligibility for Demonstration Grants

1 Any person or organization would be eligible to apply for
2 grants. Examples of possible applicants include:

- 3 -- Individual public entities and public entity pools;
- 4 -- Non-profit associations representing public entities
5 and private non-profit organizations that include risk
6 management and liability cost reduction activities in
7 their mission;
- 8 -- Non-profit associations that promote risk management,
9 liability cost reduction, or insurance consumer
10 education;
- 11 -- Accredited colleges and universities with risk
12 management departments or major curriculum on the
13 subject; and
- 14 -- Private individuals or entities such as:
 - 15 -- College professors
 - 16 -- Agents and brokers
 - 17 -- Consulting firms.

18 2. Criteria for Awarding Grants

19 The Board of Directors will evaluate grant applications
20 using criteria such as:

- 21 -- whether the project is related to the management of
22 liability risks;
- 23 -- whether the project will benefit not just the applicant
24 but will also provide a leveraged and long term benefit
25 to other persons and organizations;
- 26 -- whether money is not otherwise readily available for
27 the project;

1 -- whether the project is closely linked to the mission of
2 PERI; and

3 -- whether the project may produce ongoing revenue for
4 PERI.

5 The projects for which the grant funding is to be used must
6 be applicable to one of PERI's five major program areas and will
7 become part of the public domain.

8 3. Grant Approval Process

9 Demonstration grants would be awarded by PERI's Board of
10 Directors after a review and evaluation process. Advisory
11 committees shall be created and utilized as part of the grant
12 award process.

13 C. Methods of Delivering Service Programs

14 PERI may use a variety of methods to deliver its services.
15 PERI shall first attempt to find existing delivery methods before
16 creating new delivery systems. Examples of possible methods are
17 outlined below:

- 18 -- classroom-style training at the PERI training facility;
- 19 -- on-site training at participants' work locations;
- 20 -- preparation and distribution of products such as
21 computer software, interactive computer programs,
22 videos, and a limited use of manuals and publications;
- 23 -- direct provision of environmental services by technical
24 professionals at participants' work locations;
- 25 -- preparation of educational curriculum and materials for
26 use by trainers and training "leaders" or "educators"
27 (those individuals who will provide direct training to

1 ultimate recipients of the services); and
2 -- development of specialized training and educational
3 modules for small entities to be delivered by PERI or
4 through other associations to their constituencies.

5 III. Governance and Policy Making

6 A. Board of Directors

7 PERI will be governed by a five member Board of Directors,
8 comprised of three representatives from the public sector, one
9 from the private sector, and one from the private non-profit
10 sector. Selection of the directors from each sector shall be
11 made as follows:

12 Public Sector (3) - The initial public sector
13 representatives shall be selected by the Attorneys General
14 representing the plaintiff states in consultation with
15 PRIMA, NLC, ICMA and NACO. Thereafter replacements for the
16 initial public sector board members will be selected by the
17 Board as set forth in the bylaws to be developed. Such
18 bylaws shall provide for participation in the nomination
19 process by organizations representing public sector risk
20 management interests.

21 Private Sector (1) - The initial private sector
22 representative shall be nominated by the Board of Directors
23 of the Risk and Insurance Management Society and selected by
24 the attorneys representing the private plaintiffs.
25 Thereafter, replacement of the initial private sector board
26 member will be selected by the Board as set forth in the
27 bylaws to be developed. Such bylaws shall provide for

1 participation in the nomination process by organizations
2 representing private sector risk management interests.

3 Private Non-Profits (1) - The initial private non-
4 profit representative shall be selected by the Attorneys
5 General representing the Plaintiff States in consultation
6 with the Non-Profit Risk Management Center. Thereafter
7 replacements for the initial private non-profit board member
8 will be selected by the Board as set forth in the bylaws to
9 be developed. Such bylaws shall provide for participation
10 in the nomination process by organizations representing
11 private non-profit risk management interests.

12 Terms of office shall be two years, but the bylaws may allow
13 the staggering of terms.

14 B. Advisory Committees

15 There will be advisory committees established to provide
16 policy and program advice to the Board of Directors. Each
17 committee will be chaired by a member of the Board. Other
18 committee members will be persons not serving on the Board and
19 who are experts in the relevant subject area. Examples of
20 appropriate advisory committees are outlined below:

21 -- Inter-Organization Coordination Committee: Members to
22 be representatives of existing risk management
23 organizations who are in a position to advise PERI's
24 board as to methods to facilitate synergy and
25 efficiency in the development and coordination of PERI
26 programming with that of existing organizations.

27 -- Liability Loss Prevention and Control Committee:

1 Members to be loss control professionals employed by
2 public and private organizations as well as loss
3 control experts employed by contractual service
4 providers such as insurance brokers and third party
5 administrators.

6 -- Catastrophe Management Committee: Members to be
7 persons expert in property management, contingency
8 planning, computer modeling of catastrophic events, and
9 property insurance.

10 -- Environmental Liability Committee: Members to be
11 environmental engineers, public works directors,
12 landfill operators, and others with expertise in
13 environmental liability risks and insurance.

14 -- Insurance Consumer Training Committee: Members to be
15 representatives from small to medium size private
16 sector businesses and non-profit organizations that do
17 not have full time risk management and insurance
18 professionals.

19 This advisory committee structure will channel expert
20 volunteer talent into the PERI programming and policy making.
21 PERI staff can work with the committees to formulate specific
22 recommendations for Board action. The committee structure should
23 also help to foster a sense of efficacy among the PERI
24 constituency.

25 IV. Management and Staffing

26 PERI will employ an Executive Director and a full time
27 professional and support staff to carry out its mission. PERI

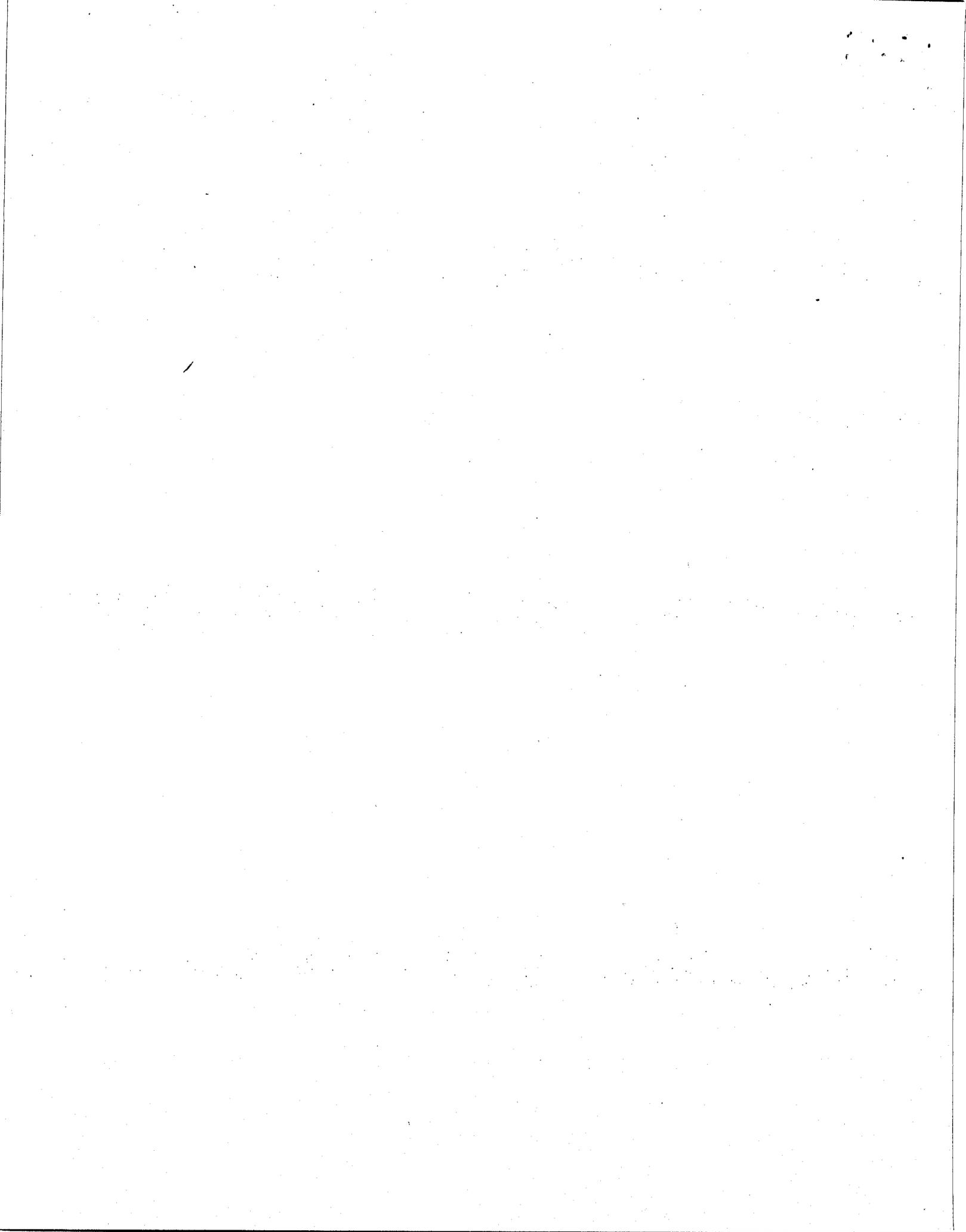
1 intends to hire persons who are experts in their respective
2 fields and who have strong training and/or interpersonal skills.
3 PERI's Board of Directors shall determine appropriate staffing
4 levels. Also, PERI will seek to employ staff who have both
5 strong public service and entrepreneurial spirit.

6 **V. Creation of the Public Entity Risk Institute**

7 The Public Entity Risk Institute shall be created by a
8 committee made up of two-thirds state plaintiffs' attorneys and
9 one-third private plaintiffs' attorneys (the "Steering
10 Committee"), state plaintiff representatives to be selected by
11 the state plaintiffs' attorneys and private plaintiff
12 representatives to be selected by the private plaintiffs'
13 attorneys. Steering Committee representatives shall serve
14 without fee, except that they may, as otherwise permitted by law,
15 be reimbursed for reasonable out-of-pocket expenses. The
16 Steering Committee may spend settlement money dedicated for the
17 establishment and operation of PERI for all reasonable expenses
18 required for PERI's creation. The Steering Committee shall hire
19 consultants, including legal, accounting, management and
20 substantive consultants, to assure that PERI is created
21 appropriately and consistent with law, its mission and the
22 requirements of the settlement. The Steering Committee and its
23 consultants shall endeavor to consult with existing risk
24 management organizations regarding PERI's structure and creation,
25 but all decisions regarding PERI's structure and creation shall
26 be made by the Steering Committee as set forth herein. The
27 Steering Committee shall take all appropriate actions to create

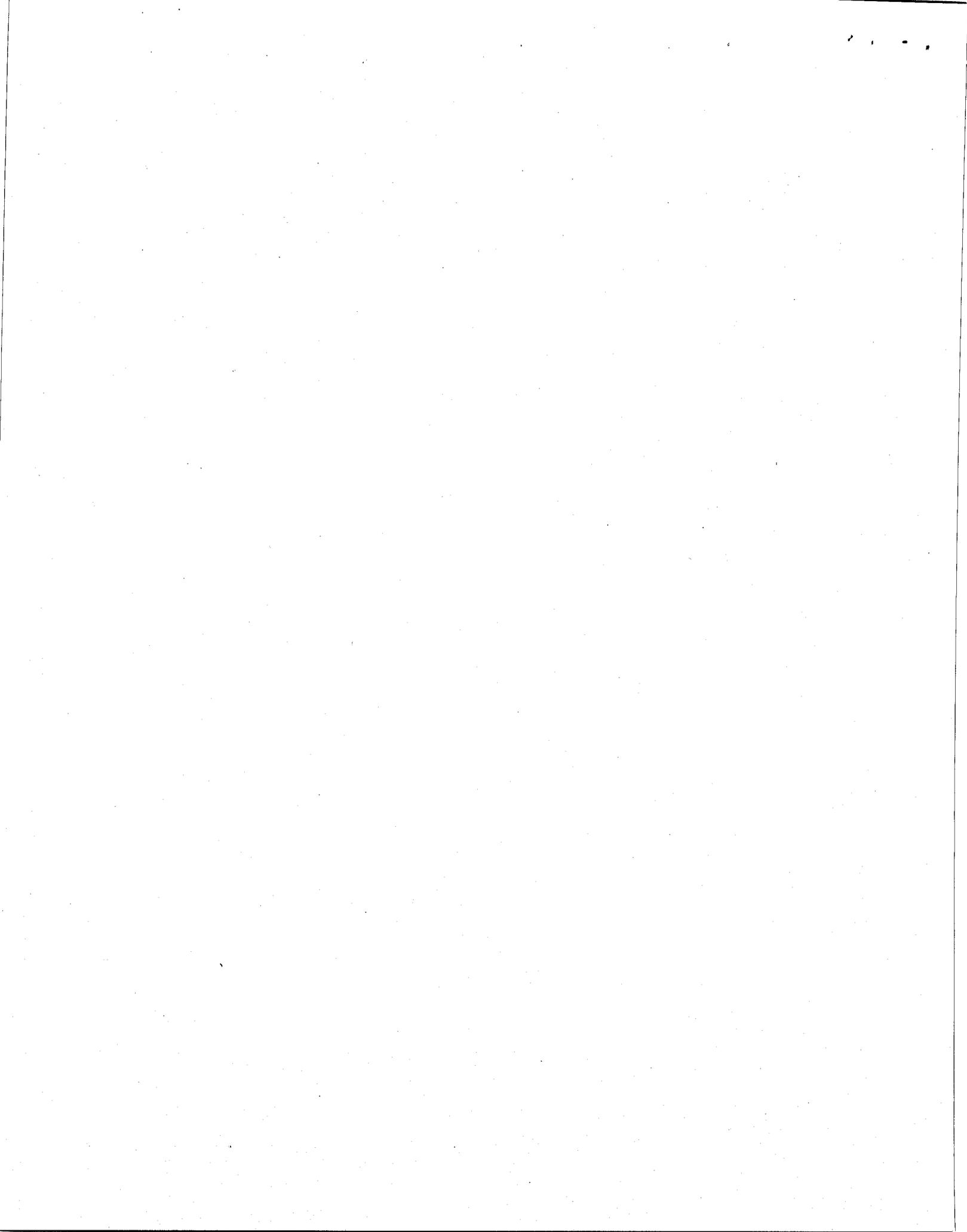
1 Articles of Incorporation and By-Laws, as well as all appropriate
2 trust documents and tax filings. The Steering Committee shall
3 have the power to control and expend the settlement funds
4 consistent with its authority. The Steering Committee shall have
5 the power to determine the manner and timing of the transfer of
6 decisional authority from itself to the initial Board of
7 Directors. Once the transfer of decisional authority from the
8 Steering Committee to the initial Board of Directors is
9 completed, the Steering Committee will cease to exist and all
10 decisions regarding PERI shall be made by the Board, consistent
11 with its authority and PERI's governing documents. Members of
12 the Steering Committee shall be held harmless by PERI and
13 indemnified by the settlement funds for any and all liability
14 arising from their role as a member of the Steering Committee.

15
16
17
18
19
20
21
22
23
24
25
26
27



A T T A C H M E N T

D



1 ATTACHMENT D:

2 MEMORANDUM OF AGREEMENT

3 Whereas, the Attorneys General of the States of Alabama,
4 Alaska, Arizona, California, Connecticut, Colorado, Florida,
5 Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Montana,
6 New Jersey, New York, Ohio, Pennsylvania, Washington, West Virginia
7 and Wisconsin ("State Plaintiffs") have brought actions on behalf
8 of their respective state and local governmental entities, in the
9 United States District Court for the Northern District of
10 California, collectively entitled In re Insurance Antitrust
11 Litigation, C-88-1688; and

12 Whereas, the State Plaintiffs have entered into a Settlement
13 Agreement with certain defendants ("London defendants") requiring
14 said defendants to pay the State Plaintiffs the sum of \$5,200,000
15 for the development and implementation of a risk data base plan
16 specifically designed to collect and make accessible loss data of
17 a type and in a form useful to municipalities and other local
18 government entities ("database project"); and

19 Whereas, representatives of national and regional
20 organizations of local governments and public entity risk pools
21 have indicated their willingness to participate in and contribute
22 time and information resources to the development and
23 implementation of the database project; and

24 Whereas, based on expert appraisal of the enterprise, State
25 Plaintiffs believe the funding is adequate to establish the
26 database project on a self-supporting basis within several years;

27 Now, therefore, the State Plaintiffs have determined that the
following procedures for disbursement and management of the

1 settlement funds so received will best enable them to accomplish
2 their agreed-on purpose.

3 I. THE DATABASE PROJECT COUNCIL

4 A Database Project Council (the "Council") shall be
5 established to govern the development of the database project to
6 maturity, as follows:

7 A. Composition. The Council shall be composed of seven
8 members, to be appointed by State Plaintiffs upon final Court
9 approval of the settlement. Said individuals will have substantial
10 experience with public entity risk management and a demonstrated
11 allegiance to alleviating the risk management problems of the
12 public sector. Council members will act on behalf of the State
13 Plaintiffs.

14 A representative of the State Plaintiffs may serve as an ex
15 officio member of the Council.

16 To insure continuity in the Council's work, each Council
17 member shall designate an alternate representative.

18 Any vacancy arising on the Council shall be filled by
19 the remaining Council members.

20 B. Decisionmaking. Each Council member shall have one vote.
21 The members shall have co-equal authority in all decisions of the
22 Council.

23 The Council members may designate officers as needed and
24 delegate appropriate powers to them; however, no funds shall be
25 expended or purchases made in amounts exceeding \$5,000 unless such
26 expenditures and purchases have been approved by a majority of
27 Council members.

The business of the Council shall be conducted in accordance

1 with Roberts Rules of Order, as such rules may be revised from time
2 to time, insofar as such rules are not inconsistent with or in
3 conflict with this Memorandum of Agreement or with provisions of
4 law.

5 C. Duties and Authority. The Council shall have final
6 authority to disburse the money contained in the Database Project
7 Fund referred to in section 3.b. of the Settlement Agreement and
8 to make all necessary decisions for the management and
9 administration of the activities for which money has been disbursed
10 from the Database Project Fund. The Council may take whatever
11 actions in its discretion it determines are necessary to effectuate
12 the purposes of the Settlement Agreement and the Objectives
13 described in section II of this Memorandum of Agreement. It is
14 expected that the Council will take the following actions to
15 accomplish these purposes:

16 1. Supervise the administration of the Database Project
17 Fund and disburse money where necessary from it;

18 2. Contract with, direct and oversee the work of
19 technical consultants in furtherance of the database project and
20 the Objectives described below. The Council is urged, but not
21 required, to make use of the expertise of the consultants employed
22 by the State Plaintiffs and the London Defendants in reaching the
23 Settlement Agreement;

24 3. Negotiate for and purchase such technology services
25 and equipment as are suitable for the data base project;

26 4. Establish offices, create mailing lists, issue press
27 releases, and take other actions to develop a business identity in
furtherance of the data base project;

1 5. Develop or otherwise acquire data sources, data
2 codes, data retrieval methods and other intellectual property;

3 6. Appoint and convene meetings of technical or
4 advisory committees of qualified individuals, representing both
5 public sector and private sector organizations, as needed;

6 7. Make grants to public agencies to promote their
7 participation in the data base project;

8 8. Cooperate to the extent feasible with the Public
9 Entity Risk Institute in implementing programs of mutual benefit;

10 9. Determine appropriate compensation for Council and
11 subcommittee activities, provided, however, that no member of the
12 Council or committees, where such member is an full-time employee
13 of a public agency, shall receive wages or salary from the Database
14 Project Fund for his/her services; and

15 10. Take other actions deemed necessary or appropriate
16 by the Council.

17 D. Record Keeping and Reporting.

18 The Council shall meet as often as necessary. Summary minutes
19 of the meetings shall be kept and made available to the Court and
20 to the State Plaintiffs upon reasonable notice.

21 The Council shall make written or oral progress and
22 expenditure reports at least annually to the Court and the State
23 Plaintiffs.

24 II. PUBLIC ENTITY RISK INFORMATION OBJECTIVES

25 The Council shall be guided by the primary objective of
26 assisting public entities, especially self-insured public entities,
27 to understand, track, and better control tort liability, workers
compensation and other related risks of performing public services.

1 The primary means by which the Council will seek to accomplish this
2 objective is through instituting data collection, compilation,
3 analysis and dissemination on a national, statewide and regional
4 basis of worker compensation and liability loss information for
5 specific types of public entities (e.g. cities, counties, school
6 districts, transit systems, water districts and other specific
7 special districts). The Council shall attempt to assure that the
8 benefits of such activity inure permanently to public entities by
9 building a data base facility or operation that can support itself,
10 once established, through reasonable membership fees, sales of data
11 reports, or other market means.

12 III. TERMINATION OF MEMORANDUM OF AGREEMENT

13 A. This Memorandum of Agreement terminates four years from
14 the date of final approval of the Settlement Agreement and
15 Judgment, or upon expenditure of all funds allocated to the
16 database project, whichever occurs first, or at any time set by
17 order of the Court.

18 B. The Council's work shall be deemed completed upon a
19 finding by the Council that: (1) the data base project is capable
20 of supporting itself for the foreseeable future through membership
21 fees, sales of data reports, or other market means, and (2) the
22 actual or potential benefits of the data base project reach the
23 largest number and broadest range of public entities feasible given
24 the limits of funds available. Upon completion of its work, the
25 Council shall recommend to the State Plaintiffs the transfer to one
26 or more appropriate public agencies or non-profit corporations
27 created to serve public agencies, all monies remaining in the
Database Project Fund and all other assets, tangible and

1 intangible, created under the terms of this Memorandum of
2 Agreement. The entities potentially qualified to receive such
3 assets may include, but not be limited to, entities whose
4 representatives have served on the Council, or which may be
5 expressly created by Council members for the purpose of
6 perpetuating the objectives of this Memorandum of Agreement.

7 IV. GENERAL

8 A. This Memorandum of Agreement may be amended by agreement
9 among the State Plaintiffs where the State Plaintiffs determine an
10 amendment is necessary to accomplish the public entity risk
11 information objectives.

12 B. Nothing in this Memorandum of Agreement shall be
13 construed as obligating the State Plaintiffs, their officers,
14 agents or employees, to expend any funds in excess of or apart from
15 the Database Project Fund.

16 C. No liability is assumed by the State Plaintiffs for
17 actions taken by the Council.

18

19

20

21

22

23

24

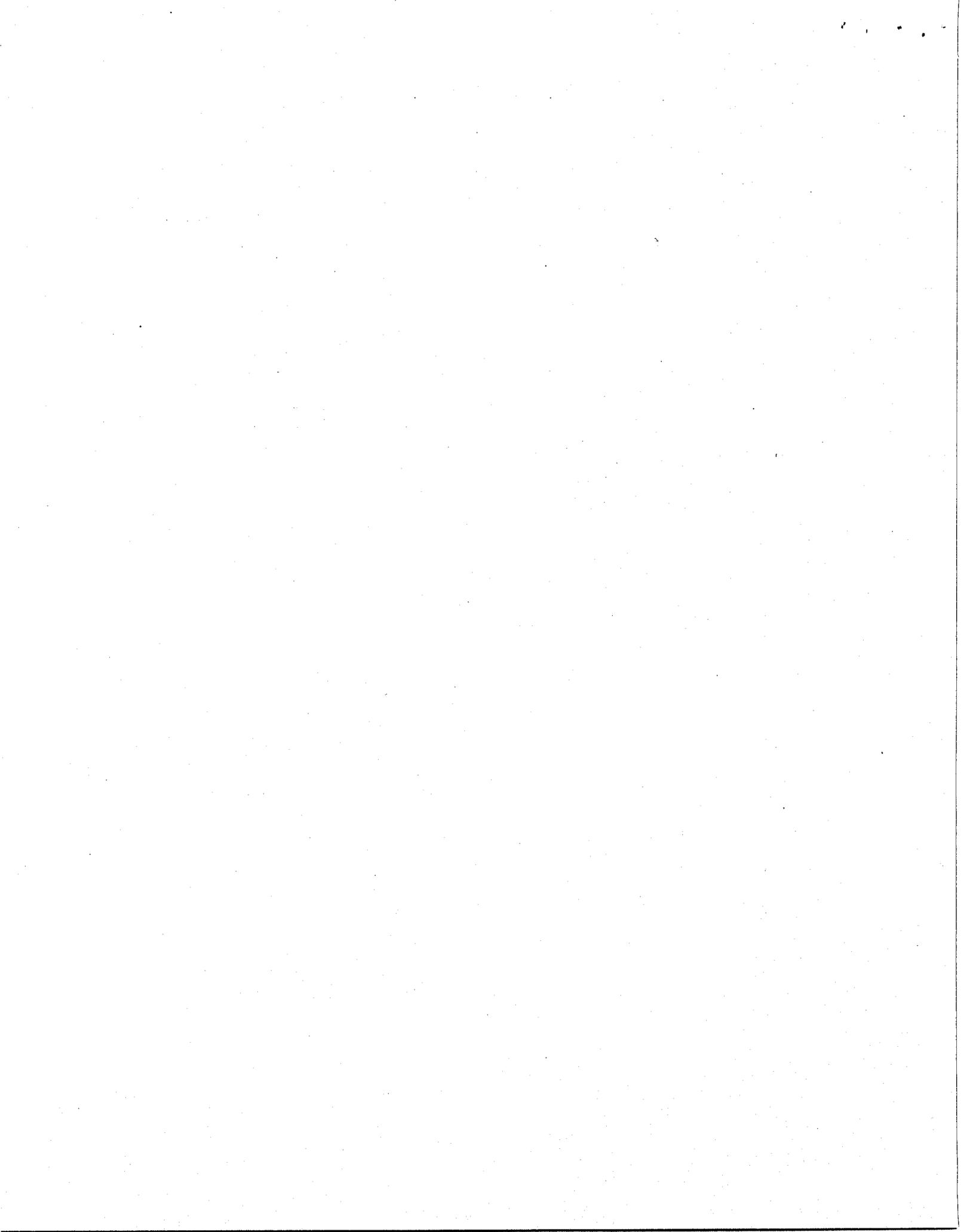
25

26

27

A T T A C H M E N T

E



ATTACHMENT E

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN RE:

INSURANCE ANTITRUST LITIGATION

THIS DOCUMENT RELATES TO ALL ACTIONS

MDL No. 767

No. C 88-1688 (CAL)

NOTICE OF PENDENCY OF CLASS ACTION
AND PROPOSED SETTLEMENT AND HEARING

TO THE PURCHASERS OF COMMERCIAL GENERAL LIABILITY INSURANCE THAT
ARE MEMBERS OF THE "SETTLEMENT CLASSES" DESCRIBED HEREIN:

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR
LEGAL RIGHTS WILL BE AFFECTED BY LEGAL PROCEEDINGS IN THIS
LITIGATION.

THIS NOTICE AND THE SETTLEMENT DESCRIBED HEREIN DO NOT
AFFECT ANY RIGHTS YOU MAY HAVE UNDER POLICIES OF INSURANCE
ACTUALLY PURCHASED BY OR FOR YOU.

This Notice is given pursuant to Rule 23 of the Federal
Rules of Civil Procedure and pursuant to Order of the United
States District Court for the Northern District of California
("the Court"). The purpose of this Notice is to inform you that:
(a) classes of which you may be a member have been conditionally
certified for consideration of a proposed settlement, (b) a
Settlement Agreement ("Agreement"), which provides for injunctive
relief and the funding of certain insurance and risk management
projects intended to benefit class members, and dismissal of the
above-captioned actions ("Actions"), was entered into on January

1 12, 1995, and submitted to the Court for its approval, and (c) a
2 hearing on the fairness, reasonableness and adequacy of the
3 proposed settlement will be held on March ____, 1995, in Courtroom
4 ____ in the United States Courthouse, 450 Golden Gate Avenue,
5 San Francisco, California 94102.

6 This Notice is not to be construed in any way as an
7 expression of opinion by the Court as to the merits of any of the
8 claims or defenses asserted by any party to this litigation.

9 SETTLEMENT CLASSES

10 The Court has conditionally certified for settlement
11 purposes only the following Settlement Classes:

12
13 The Private Plaintiffs Settlement Class is composed of all
14 persons or entities that purchased or attempted to purchase
15 commercial general liability insurance, commercial general
16 liability excess and umbrella insurance, environmental
17 impairment liability insurance, or package policies
18 including any of these coverages from any defendant or other
insurer or reinsurer for United States-sited risks from
January 1, 1984 through December 31, 1991. This class shall
include all governmental entities in and of non-Plaintiff
States and shall exclude all governmental entities included
in the Plaintiff States Settlement Class.

19 The Plaintiff States Settlement Class is composed of all
20 governmental entities in and of each of the States of
21 Alabama, Alaska, Arizona, California, Colorado, Connecticut,
22 Florida, Louisiana, Maryland, Massachusetts, Michigan,
23 Minnesota, Montana, New Jersey, New York, Ohio,
24 Pennsylvania, Washington, West Virginia and Wisconsin that
25 purchased or attempted to purchase commercial general
26 liability insurance, commercial general liability excess and
27 umbrella insurance, environmental impairment liability
insurance or package policies including any of these
coverages from any defendant or other insurer or reinsurer
for United States-sited risks from January 1, 1984 through
December 31, 1991.

1 claims and does not mean that Defendants have engaged in the acts
2 alleged by the Plaintiffs. If approved, the settlement will
3 discharge the Defendants from any further liability to the class
4 members for the conduct alleged.

5
6 THE PARTIES

7
8 The Plaintiff States are the States or Commonwealths of:

9	Alabama	Louisiana	New York
10	Alaska	Maryland	Ohio
11	Arizona	Massachusetts	Pennsylvania
12	California	Michigan	Washington
13	Colorado	Minnesota	West Virginia
14	Connecticut	Montana	Wisconsin
15	Florida	New Jersey	

16
17 The Private Plaintiffs are:

18 Ace Check Cashing, Inc.
19 Acme Corrugated Box Company
20 Anastasios Markos, t/a Municipal Exxon
21 Bay Harbor Park Homeowner's Association
22 Bensalem Township Authority
23 Big D Building Supply Corporation
24 Carlisle Day Care Center, Inc.
25 Carmella M. "Boots" Liberto, t/a R.R. Liberto, Inc.
26 Environmental Aviation Sciences, Inc.
27 Henry L. Rosenfeld, t/a Mobile Check Cashing
Jerry Grant Chemical Associates, Inc.
P & J Casting Corporation

28
29 The Defendants are collectively the Domestic Defendants:

30 Aetna Casualty and Surety Company
31 Alexander Reinsurance Intermediaries, Inc.
32 Allstate Insurance Company
33 CIGNA Corporation
34 Constitution Reinsurance Corporation
35 General Reinsurance Corporation
36 Hartford Fire Insurance Company
37 Insurance Company of North America
Insurance Services Office, Inc.
Mercantile & General Reinsurance Company of America
North American Reinsurance Corporation

1 Prudential Reinsurance Company
2 Reinsurance Association of America
3 Winterthur Swiss Insurance Company

4 and the Foreign Reinsurer Defendants:

5 Ballantyne, McKean & Sullivan Limited
6 C.J.W. (Underwriting Agencies) Limited
7 CNA Re (U.K.) Ltd.
8 Continental Reinsurance Corporation (U.K.) Ltd.
9 D.P. Mann Underwriting Agency Limited
10 Edwards & Payne (Underwriting Agencies) Limited
11 Excess Insurance Company Limited
12 Janson Green Management Limited /
13 Kemper Reinsurance London Ltd.
14 Lambert Brothers (Underwriting Agencies) Limited
15 London & Edinburgh Insurance Group, Ltd.
16 Merrett Underwriting Agency Management Limited
17 Murray Lawrence & Partners
18 Oxford Syndicate Management Limited
19 Peter N. Miller
20 R.K. Carvill & Co., Ltd.
21 Robin A.G. Jackson
22 Terra Nova Insurance Co., Ltd.
23 Three Quays Underwriting Management Limited
24 Unionamerica Insurance Company, Ltd.
25

26 PROGRESS OF THE LITIGATION

27 In 1989, on Motions to Dismiss by the Defendants, the
District Court for the Northern District of California dismissed
the Complaints. 723 F. Supp. 464 (N.D. Cal. 1989). In 1991, the
Court of Appeals for the Ninth Circuit reversed the District
Court. 938 F.2d 919 (9th Cir. 1991). The case was then argued
before the Supreme Court of the United States, which affirmed in
part and reversed in part the Ninth Circuit decision and remanded
the case for further proceedings. 113 S. Ct. 2891 (1993). Since
remand, certain Plaintiffs have filed Amended Complaints, and in
discovery proceedings, Defendants have provided Plaintiffs with
hundreds of thousands of pages of documents. In addition, before

1 filing their Complaints, certain Plaintiff States had engaged in
2 an extensive two-year multi-state antitrust investigation.

3 The Court has not certified any classes in these
4 Actions, other than conditionally for settlement purposes, and
5 has made no determination that any classes could be certified if
6 these Actions are not settled. If the settlement is not
7 consummated for any reason, the Plaintiffs would need to certify
8 classes for purposes of pursuing this litigation as a class
9 action.

10 The Court has not ruled on the merits of the
11 Plaintiffs' charges or on the denials and defenses made by the
12 Defendants (other than those raised in their Motions to Dismiss).
13 This Notice does not imply that there has been any finding of any
14 violation of the law against Defendants or that recovery could be
15 had in any amount.

16 Counsel for the Settlement Classes ("Class Counsel")
17 have entered into the Agreement after weighing the substantial
18 benefits that the members of the Settlement Classes will receive
19 as a result of the settlement, against the probabilities of
20 success and failure in securing any recovery from Defendants by
21 means of further litigation. Class Counsel consider it to be in
22 the best interests of the Settlement Classes that the Actions be
23 settled in accordance with the terms of the Agreement and believe
24 that the proposed settlement is fair, reasonable and adequate for
25 the Settlement Classes.

26 Although Defendants deny all liability and the
27 existence of any classes (other than for settlement purposes) in

1 the Actions, Defendants consider it desirable to settle the
2 Actions on the terms proposed to avoid further expense,
3 uncertainty and inconvenience.
4

5 TERMS OF THE PROPOSED SETTLEMENT

6 The settlement embodied in the Agreement is subject to,
7 and becomes effective only upon approval by the Court of a final
8 judgment that is no longer subject to direct appeal. Set forth
9 below is a summary of the principal terms and conditions of the
10 Agreement. The complete Agreement is on file with the Court and
11 Class Counsel, and is available for your inspection as described
12 below.

13 The settlement provides for various forms of injunctive
14 relief, the funding of certain insurance and risk management
15 projects intended to benefit the class members, and payments for
16 costs of litigation and attorneys fees. The principal terms of
17 the settlement are:

- 18 a. The Insurance Services Office, Inc. ("ISO"), which
19 is an insurance rating and advisory organization
20 now controlled by insurers, will become controlled
21 by a board of independent directors chartered to
22 be more responsive to the needs of policyholders
23 and regulators as well as insurers.
- 24 b. The Foreign Reinsurer Defendants: (i) will be
25 enjoined for five (5) years from agreeing to
26 withhold reinsurance coverage for the Insurance
27 Coverages for the purpose of coercing primary
insurers to restrict generally the scope of
Insurance Coverages being offered in United States
markets; (ii) will not be bound by the 1987 LMX
Agreement, an agreement among certain London
retrocessional reinsurers regarding reinsurance of
certain risks; and (iii) will be ordered to create
and implement antitrust compliance programs.
- c. The right of all Defendants to participate in the

1 forms development activities of ISO will be
2 restricted for a period of five (5) years.

3 d. Defendants have paid thirty six million dollars
4 (\$36,000,000.00) into an escrow fund that will,
5 subject to Court approval, be used for the
6 following purposes:

7 i. \$21,000,000 will be used by the Plaintiffs
8 for the development and implementation of a
9 Public Entity Risk Institute ("PERI"). PERI
10 will provide high quality, forward-looking
11 training, education and technical services to
12 public entities and other policyholders, such
13 as small businesses and non-profit
14 organizations that share many of the same
15 insurance needs as public entities;

16 ii. \$5,200,000 will be used by the State
17 Plaintiffs for the development and
18 implementation of a risk data base plan
19 designed to collect and make accessible
20 insurance loss data of a type and in a form
21 useful to municipalities and other local
22 government entities; and

23 iii. Up to \$9,800,000 plus interest earned on the
24 escrow fund, will be paid to reimburse State
25 and Private Class Counsel for costs, expenses
26 and attorneys fees.

27 THE RIGHTS OF CLASS MEMBERS

28 If you purchased or attempted to purchase any of the
29 Insurance Coverages during the Class Period, there is nothing you
30 are required to do at this time to remain a member of one of the
31 Settlement Classes. Your interests are being represented by the
32 plaintiff class representatives and Class Counsel. You may, but
33 need not, enter an appearance in the litigation through an
34 attorney of your own choice, but only at your own expense. If
35 you remain a member of one of the Settlement Classes, you will be
36 bound by the terms of the settlement.

37 Settlement Class members may request exclusion from the
Settlement Class. If you request exclusion from the Settlement

1 Class, you will not be bound by the terms of the settlement or
2 the judgment entered by the Court approving the settlement;
3 otherwise, you will not be able to pursue any claims that are
4 released by the settlement against the Defendants.

5 If you desire to be excluded from the Settlement Class,
6 you must request exclusion in writing. Your written request for
7 exclusion must be postmarked and mailed no later than
8 _____, 1995 and sent to: In re: Insurance Antitrust
9 Litigation., P.O. Box _____, Philadelphia, Pennsylvania 19105-
10 0830. To be valid, a request for exclusion must be in writing
11 and must set forth the full name and address of the person
12 seeking exclusion, name and description of the person's business
13 (if applicable), and, if reasonably available, the calendar
14 year(s) during the Class Period in which the person purchased or
15 attempted to purchase any of the Insurance Coverages, the annual
16 premium paid (if applicable) for any purchases of the Insurance
17 Coverages during the Class Period, and the annual gross revenues
18 of the person's business. Please write the words "Class
19 Exclusion Notice" on the lower left corner of the front of the
20 envelope in which you request exclusion.

21 Within thirty (30) days after the deadline set by the
22 Court for class members to exclude themselves from the settlement
23 classes, the Defendants shall have the right, acting in good
24 faith, to withdraw from this Settlement Agreement, if after
25 reasonable inquiry a majority of the Defendants have concluded
26 that the number or claims of class members that have excluded
27 themselves from this settlement are a substantial and excessive

1 portion of the released claims.

2
3 SETTLEMENT HEARING

4 A hearing will be held in Courtroom ____ of the United
5 States Courthouse, 450 Golden Gate Avenue, San Francisco,
6 California 94102 on March ___, 1995 (the "hearing"), for the
7 purpose of determining whether the proposed settlement is fair,
8 reasonable and adequate and should be approved finally by the
9 Court and the Actions dismissed on the merits and with prejudice,
10 and, if the settlement is approved, the award to Class Counsel
11 for attorneys' fees, costs and expenses. The hearing may be
12 adjourned from time to time by the Court without further notice.
13 Settlement Class members who do not oppose the proposed
14 settlement do not need to appear at the hearing or file any
15 papers.

16 You will be represented at the hearing by Class Counsel
17 hereinafter identified in the Additional Information section of
18 this Notice unless you enter an appearance in person or through
19 your own counsel. As a member of the Settlement Class, you will
20 not be personally responsible for attorneys' fees, costs or
21 expenses except those of your own counsel.

22 At the hearing, any Settlement Class member may appear
23 in person or by counsel and show cause why the settlement should
24 not be approved and why this action should not be dismissed on
25 the merits with prejudice, or why the application of Class
26 Counsel for attorneys' fees, costs and expenses should not be
27 approved; such Settlement Class member may present any admissible

1 evidence relevant to the issues to be heard, provided that by
2 _____, 1995, such Settlement Class member has served:
3 (i) a written notice of intention to object to the settlement
4 setting forth the reasons for such objections, and, if
5 applicable, to appear at the hearing; and (ii) copies of any and
6 all papers in opposition to the settlement upon which the
7 objection may be based, on Defendants' Liaison Counsel: Raoul D.
8 Kennedy, Esquire, Crosby, Heafey, Roach & May, 19999 Harrison
9 St., P.O. Box 2084, Oakland, CA 94604-2084; and on Co-Liaison
10 Class Counsel: Guido Saveri, Esquire, Saveri & Saveri, One
11 Market Plaza, 4th Floor, San Francisco, CA 94105; and Thomas
12 Greene, Senior Assistant Attorney General, 1515 K St., Suite 511,
13 Sacramento, CA 94244-2550. In addition, such intention to object
14 and all such materials shall be filed by first-class mail, mailed
15 and post-marked, on or before _____, 1995, addressed to
16 the Clerk of the Court, United States District Court, Northern
17 District of California, 450 Golden Gate Avenue, P.O. Box 36060,
18 San Francisco, California 94102.

19 Any Settlement Class member who does not so object to
20 the matters noted above shall be deemed to have waived, and shall
21 be forever foreclosed from raising, any objection to such
22 matters.

23

24 EFFECT OF FINAL COURT APPROVAL.

25 If the settlement is approved, the Court will enter an
26 order and judgment dismissing the Actions on the merits with
27 prejudice and discharging Defendants and their present and former

1 parents, subsidiaries, affiliates, officers, directors, employees
2 and agents from all claims prior to and including the date of the
3 Agreement that were, or could have been, asserted in the
4 Complaints in the Actions that arose out of, were in furtherance
5 of, or were related to any of the facts, matters or conspiracies
6 alleged in the Complaints that related to the purchase or
7 attempted purchase of the Insurance Coverages during the Class
8 Period. In addition, to the extent of their participation in the
9 conduct alleged in the Complaints, similar releases will be given
10 to those persons not named as Defendants in the Complaints that
11 were members of RAA or Lloyd's of London on or prior to the date
12 of the Agreement. This settlement does not affect any rights
13 you may have under policies of insurance actually purchased by or
14 for you.

15 In releasing the claims described above, each person
16 accepting this settlement is aware of § 1542 of the California
17 Civil Code, and waives and relinquishes any rights under that
18 section. California Civil Code §1542 provides: "A general
19 release does not extend to claims which the creditor does not
20 know or suspect to exist in his favor at the time of executing
21 the release, which if known by him must have materially affected
22 his settlement with the debtor."
23

24 **IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS, UNLESS YOU HAVE**
25 **CHOSEN AFFIRMATIVELY TO BE EXCLUDED FROM THE CLASS, UPON COURT**
26 **APPROVAL OF THE SETTLEMENT YOU WILL BE BOUND BY THE SETTLEMENT,**
27 **INCLUDING THE JUDGMENT OF DISMISSAL.**

1 Nicholas E. Chimicles
2 Chimicles, Burt & Jacobson
3 361 W. Lancaster Ave.
4 Haverford, PA 19401

5 Dated: San Francisco, California
6 January _____, 1995

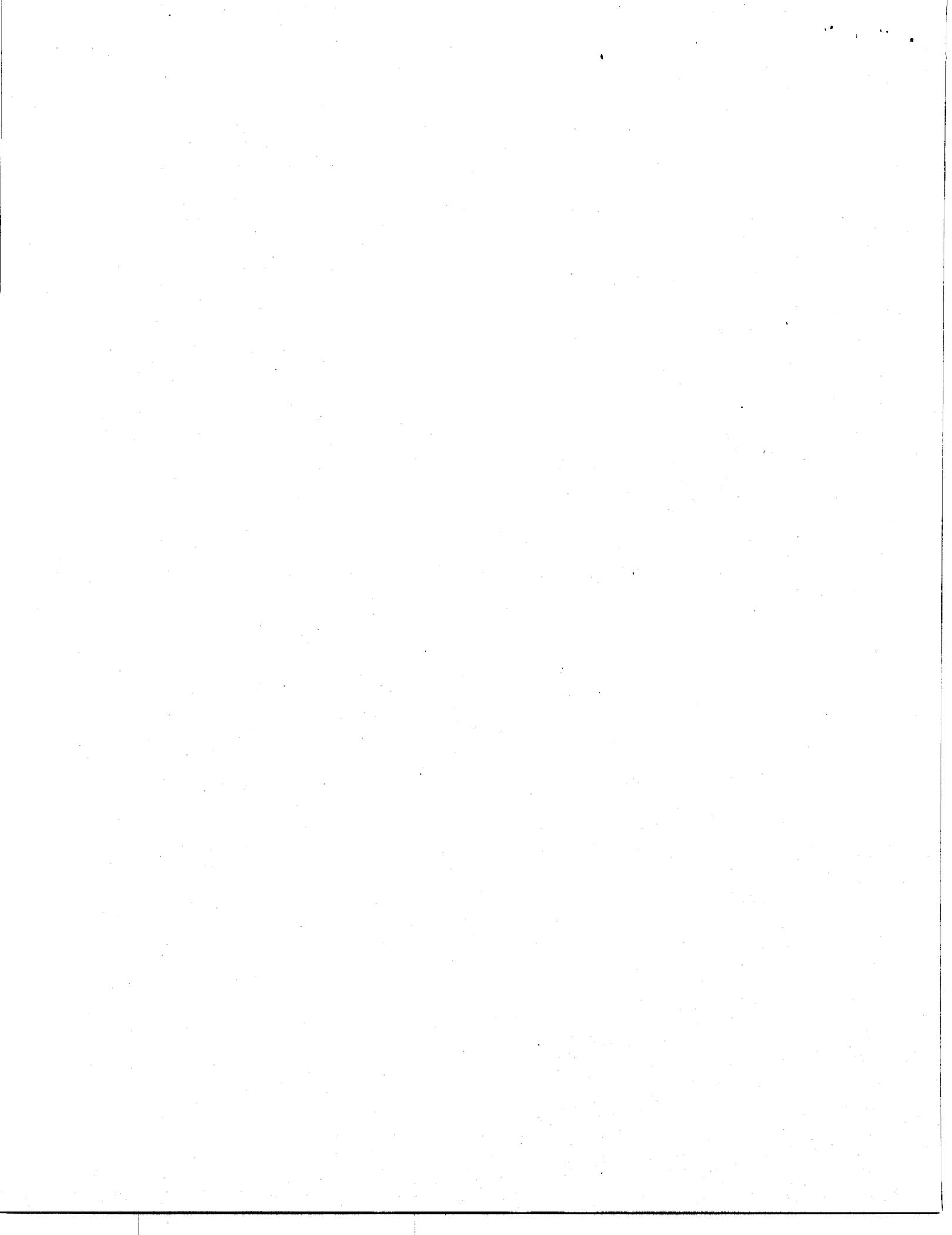
7 /s/ _____

8 Clerk of the United States
9 District Court for the
10 Northern District of California

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

A T T A C H M E N T

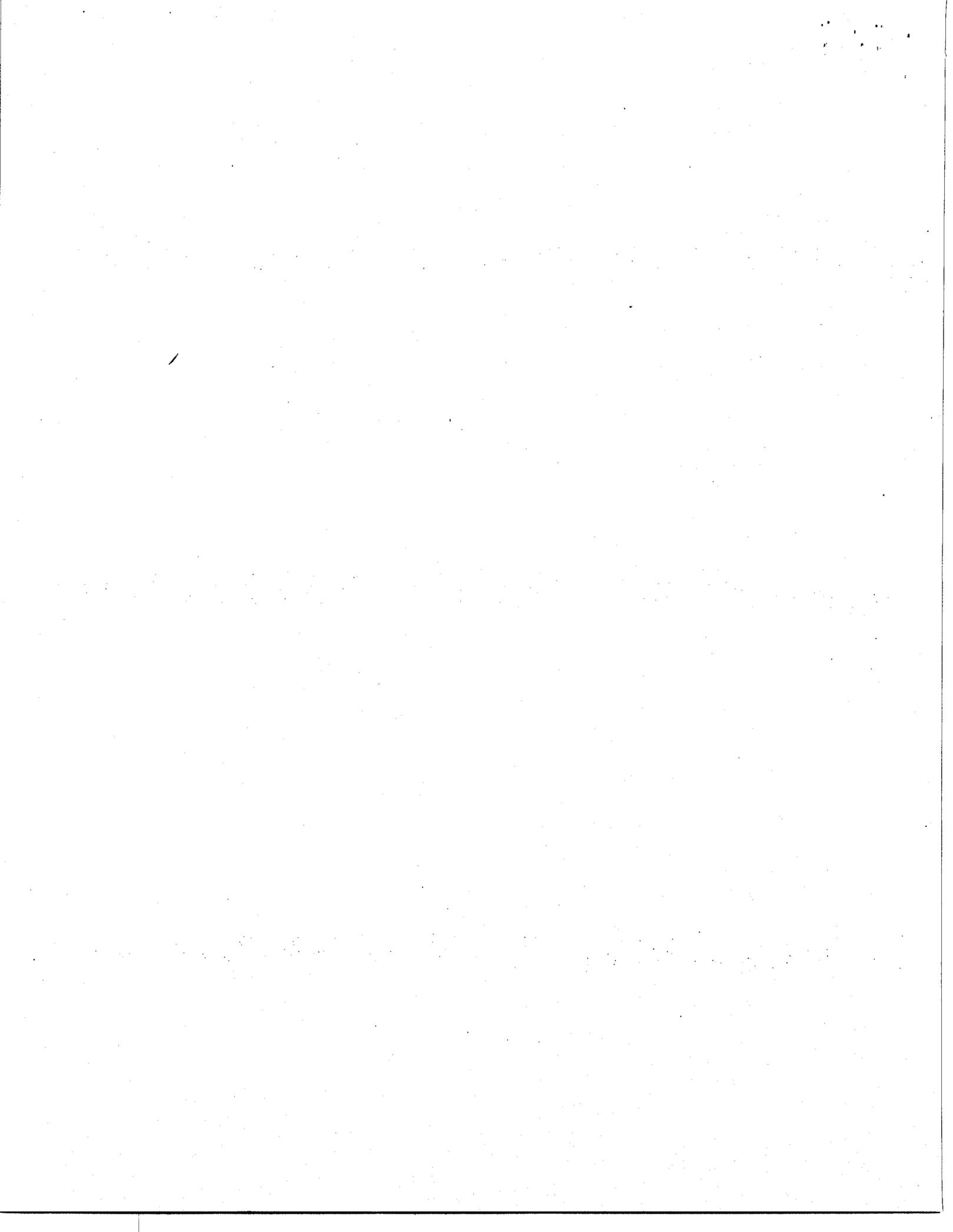
F



ATTACHMENT F

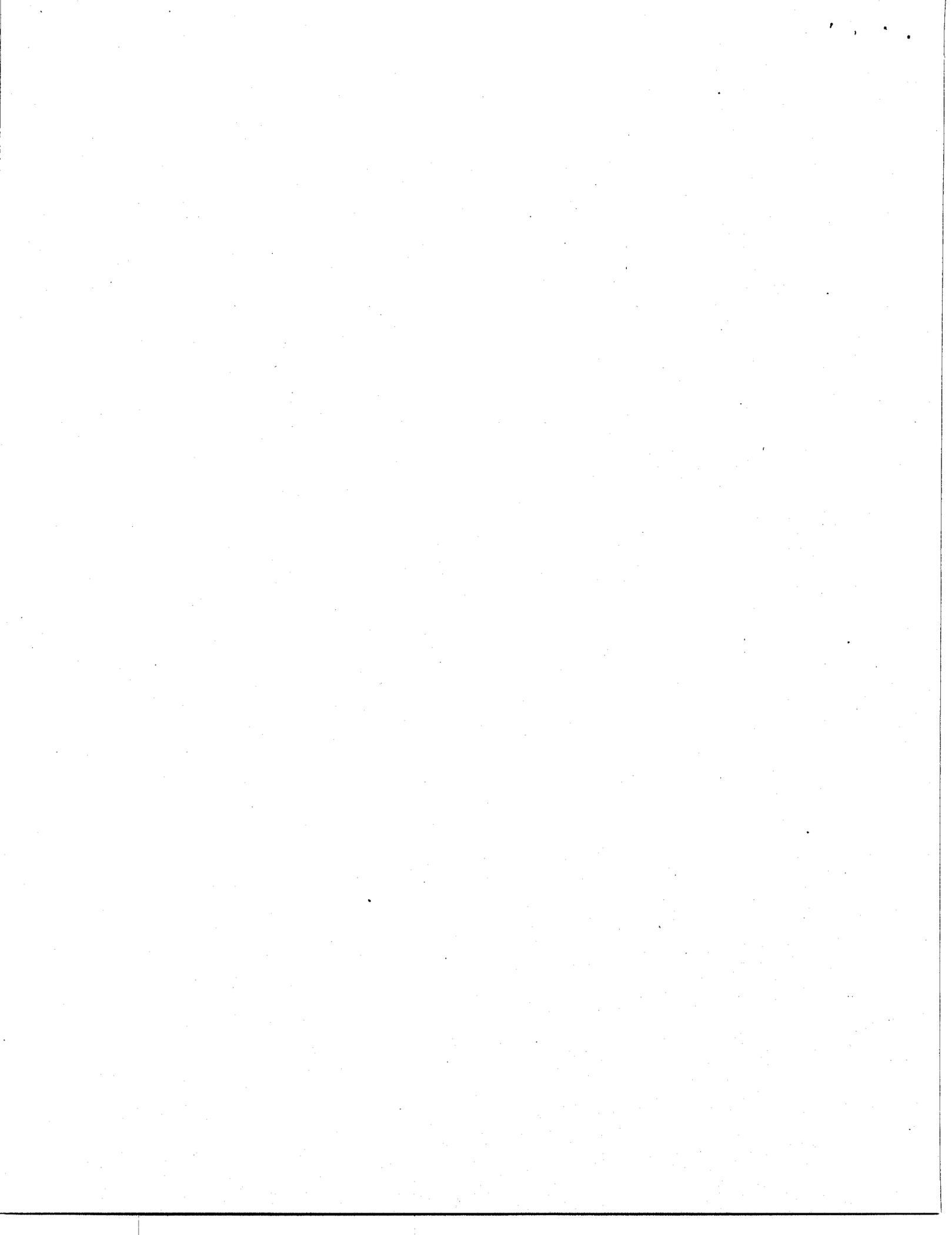
Defendants will publish a copy of the Notice of Pendency of Class Action and Proposed Settlement and Hearing, as soon as practicable after preliminary approval by the Court, once in the national editions of each of the following periodicals:

<u>Periodical</u>	<u>Circulation</u>	<u>Readership</u>
Wall Street Journal (Tues. ed.)	1,800,000	4,100,000
USA Today (Fri. ed.)	2,300,000	5,200,000
New York Times (Sun. ed.)	1,800,000	3,900,000
Business Insurance	52,000	260,000



A T T A C H M E N T

G



Attachment G.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN RE:
INSURANCE ANTITRUST LITIGATION

MDL No. 767
No. C 88-1688 (CAL)

THIS DOCUMENT RELATES TO ALL ACTIONS

FINAL JUDGMENT ON CONSENT

Upon consideration of the Settlement Agreement dated January 12, 1995, and the settlement contained therein (the "Settlement") and after holding a hearing on March ___, 1995, at which the Parties and all interested Class Members were heard,

IT IS on this _____ day of _____, 1995, ORDERED, ADJUDGED AND DECREED as follows:

1. This Court has jurisdiction over the subject matter of and Parties to this action. The Complaints state claims against Defendants under Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. With respect to the claims set forth in the Complaints, the prerequisites to a class action, set forth in Fed. R. Civ. P. 23(a), are present, and the Court finds that the questions of law and fact common to the members of the classes predominate over any questions affecting only individual members, and that class actions are superior to other available methods for the fair and efficient adjudication of the controversy. Accordingly, solely for the purposes of the Settlement, these cases shall be maintained as class actions with the Private Plaintiffs and the

1 Plaintiff States respectively serving as the representatives of
2 the classes defined as follows:

3 a. The Private Plaintiffs Settlement Class shall be
4 composed of all persons or entities that purchased or
5 attempted to purchase commercial general liability
6 insurance, commercial general liability excess and umbrella
7 insurance, environmental impairment liability insurance or
8 package policies including any of these coverages from any
9 defendant or other insurer or reinsurer for United States-
10 sited risks from January 1, 1984, through December 31, 1991.
11 This class shall include all governmental entities in and of
12 non-plaintiff States and shall exclude all governmental
13 entities included in the Plaintiff States Settlement Class.

9 b. The Plaintiff States Settlement Class shall be
10 composed of all governmental entities in and of each of the
11 States of Alabama, Alaska, Arizona, California, Colorado,
12 Connecticut, Florida, Louisiana, Maryland, Massachusetts,
13 Michigan, Minnesota, Montana, New Jersey, New York, Ohio,
14 Pennsylvania, Washington, West Virginia and Wisconsin that
15 purchased or attempted to purchase commercial general
16 liability insurance, commercial general liability excess and
17 umbrella insurance, environmental impairment liability
18 insurance or package policies including any of these
19 coverages from any defendant or other insurer or reinsurer
20 for United States-sited risks from January 1, 1984, through
21 December 31, 1991.

16 3. The notice given of the proposed Settlement and of the
17 hearing held on March ___, 1995, was the best practical notice
18 under the circumstances and provided any class members desiring
19 to object to the Settlement with fair and adequate notice of the
20 hearing and of the terms of the proposed Settlement.

21 4. Given the complex nature of this litigation, the costs
22 previously incurred and likely to be incurred in prosecuting this
23 action to a final resolution, and the uncertainties inherent in
24 this litigation, for the purpose of satisfying Fed. R. Civ. P.
25 23, the terms of the Settlement, including the agreed-upon
26 restructuring of defendant Insurance Services Office, Inc., are
27 hereby adjudged to be fair, reasonable and adequate, in the best

1 interests of the Parties and the public and to have been entered
2 into in good faith. The Settlement is hereby approved, and the
3 Parties are directed to implement the Settlement in accordance
4 with its terms, including the distribution of the escrow account
5 when this Final Judgment on Consent shall become final.

6 5. Plaintiffs and all class members who did not submit
7 timely Requests for Exclusion are barred from further prosecution
8 of the claims released in the Settlement against any person
9 entitled to be released from such claims by the Settlement.

10 6. In accordance with the provisions of Fed. R. Civ. P.
11 65(d), the provisions of this paragraph shall be binding upon
12 Defendants and their officers, agents, servants, employees, and
13 attorneys, and upon those persons in active concert or
14 participation with them who receive actual notice of this Final
15 Judgment on Consent by personal service or otherwise. It is
16 hereby ordered that:

17 a. For a period of 5 years, no employee of Defendant
18 Reinsurance Association of America ("RAA") or other person
19 acting in a representative capacity for RAA shall attend or
20 otherwise participate in any meeting of the Insurance
21 Services Office, Inc. ("ISO") Board of Directors, or any ISO
22 committee with insurer members, ISO industry liaison panel,
23 or ISO insurer advisory panel in which matters relating to
24 the development of insurance forms for commercial general
25 liability insurance are considered. This provision shall
26 not prohibit the RAA from otherwise commenting upon proposed
27 commercial general liability policy forms. Nothing herein
shall prohibit any individual member of RAA from providing
ISO with its unilateral views regarding commercial general
liability policy forms.

b. For a period of 5 years, Defendants Aetna Casualty
and Surety Company ("Aetna"), Hartford Fire Insurance
Company ("Hartford"), CIGNA Corporation ("CIGNA"), Insurance
Company of North America ("I.N.A."), Allstate Insurance
Company ("Allstate") and General Reinsurance Corporation
("General Re") shall not exercise decision-making authority
in ISO with respect to general liability insurance forms

1 that are filed or to be filed in the United States. This
2 provision shall not prohibit a representative of Aetna,
3 Hartford, CIGNA, I.N.A., Allstate and General Re from
4 expressing the individual views of that Defendant, proposing
or commenting upon proposed policy form matters, or
participating in any ISO committee having insurer members or
the ISO Board of Directors.

5 c. For a period of 5 years, the other reinsurer
6 Domestic Defendants, Constitution Reinsurance Corporation,
7 Mercantile & General Reinsurance Company of America, North
8 American Reinsurance Corporation, Prudential Reinsurance
9 Company, and Winterthur Swiss Insurance Company, shall not
attend or otherwise participate in any meeting of the ISO
10 Board of Directors or any ISO committee having insurer
11 members in which the content of insurance forms for general
12 liability insurance, actual or prospective, to be developed
or supported by ISO is considered. Nothing herein shall,
however, prohibit a representative of one of these reinsurer
Domestic Defendants from expressing the individual view of
that Defendant regarding such forms or from attending or
otherwise participating in any such meeting as a
representative of another entity.

13 d. Within 30 days after the entry of this Final
14 Judgment on Consent, each Domestic Defendant identified in
15 subparagraphs a. through c. of this paragraph shall provide
16 notice of the terms of this Final Judgment on Consent
17 applicable to it to its relevant employees. Within 60 days
after the date of entry of this Final Judgment on Consent,
each Domestic Defendant shall file a report with the State
Plaintiffs' Administrative Liaison Counsel confirming its
compliance with the provisions of this subparagraph.

18 e. For a period of 5 years, no Foreign Reinsurer
19 Defendant, CNA Re (U.K.) Ltd., Excess Insurance Company
20 Limited, London and Edinburgh Insurance Group, Ltd., Kemper
21 Reinsurance London Ltd., Unionamerica Insurance Company,
22 Ltd., Continental Reinsurance Corporation (U.K.) Limited,
23 Merrett Underwriting Agency Management Limited, Three
24 Quays Underwriting Management Limited, Janson Green
25 Management Limited, C.J.W. (Underwriting Agencies) Limited,
26 Lambert Brothers (Underwriting Agencies) Limited, Murray
27 Lawrence & Partners, D.P. Mann Underwriting Agency Limited,
Robin A.G. Jackson, Peter N. Miller, Oxford Syndicate
Management Limited, Edwards & Payne (Underwriting Agencies)
Limited, Ballantyne, McKean & Sullivan Limited, R. K.
Carvill & Co., Ltd., or Terra Nova Insurance Co., Ltd.,
shall agree (i) with any other reinsurer to refuse to
provide reinsurance for commercial general liability
insurance of United States-sited pollution risks; or (ii)
with any other retrocessional reinsurer to refuse to provide
retrocessional reinsurance to any reinsurer providing
reinsurance of primary commercial general liability or

1 property insurance of United States-sited pollution risks
2 where, in either event, the purpose of such agreement is to
3 coerce primary insurers to restrict or limit the scope of
4 commercial general liability or property insurance coverage
5 of United States-sited pollution risks on a basis other than
6 with respect to a specific transaction or risk.

7 Notwithstanding the immediately preceding sentence, it shall
8 not be a violation of this subparagraph for any Foreign
9 Reinsurer Defendant, in the course of customary London
10 market procedures for the underwriting of reinsurance or
11 retrocessional reinsurance, to initiate or accept terms of
12 coverage that contain or incorporate a provision excluding,
13 or defining the scope of, coverage for any commercial
14 general liability or property insurance of United States-
15 sited pollution risks.

16 f. The Foreign Reinsurer Defendants shall not be
17 bound by the so-called "Non Marine London Market Agreement
18 1987" (the "1987 LMX Agreement") in the conduct of their
19 business in the LMX market and, to the extent feasible, the
20 Foreign Reinsurer Defendants shall withdraw from the terms
21 of the 1987 LMX Agreement; provided, however, that nothing
22 contained herein shall prohibit any of the Foreign Reinsurer
23 Defendants from employing or incorporating any of the terms
24 of the 1987 LMX Agreement or the Letter of Intent referred
25 to therein as terms of coverage on individual risks if any
26 Foreign Reinsurer Defendant, in the exercise of its
27 individual underwriting judgment, deems it appropriate to do
so; and provided further, that nothing herein shall require
any Foreign Reinsurer Defendant to alter terms of coverages
already bound.

g. For a period of 5 years, no officers or employees
of any Foreign Reinsurer Defendant shall attend or otherwise
participate in any meeting of the ISO Board of Directors or
any ISO committees having insurer members, in which the
content of insurance forms for commercial general liability
insurance, actual or prospective, to be developed or
supported by ISO are considered; provided, however, that
nothing contained herein shall prohibit an officer or
employee of a Foreign Reinsurer Defendant from expressing
the unilateral views of the Foreign Reinsurer Defendant to
members or employees of ISO regarding the content of any
actual or prospective commercial general liability insurance
form.

h. Within 6 months of the date of entry of this Final
Judgment on Consent, the Foreign Reinsurer Defendants,
either separately or in any combination, shall establish and
maintain for a period of 5 years a program or programs for
the purpose of assuring compliance with applicable antitrust
and competition laws by its officers and employees. The
compliance program shall, at a minimum, entail the
preparation of a document enumerating and defining conduct

1 relevant to the reinsurance business that could, under
2 certain circumstances, constitute a violation of any or all
3 applicable antitrust and competition laws, and setting forth
4 the penalties that could flow from any such violation.
5 Additionally, during said 5 year period each Foreign
6 Reinsurer Defendant shall participate annually in one or
7 more seminars in which the antitrust and competition law
8 aspects of the following practices or categories of conduct
9 will be described: (i) subscription underwriting,
10 consortiums and pooling arrangements; (ii) market
11 agreements; (iii) price-fixing and allocation of markets;
12 and (iv) standardization of forms. For the purposes of this
13 subparagraph, the term "Foreign Reinsurer Defendant" shall
14 include Underwriters responsible for reinsurance of
15 commercial general liability risks emanating from North
16 America.

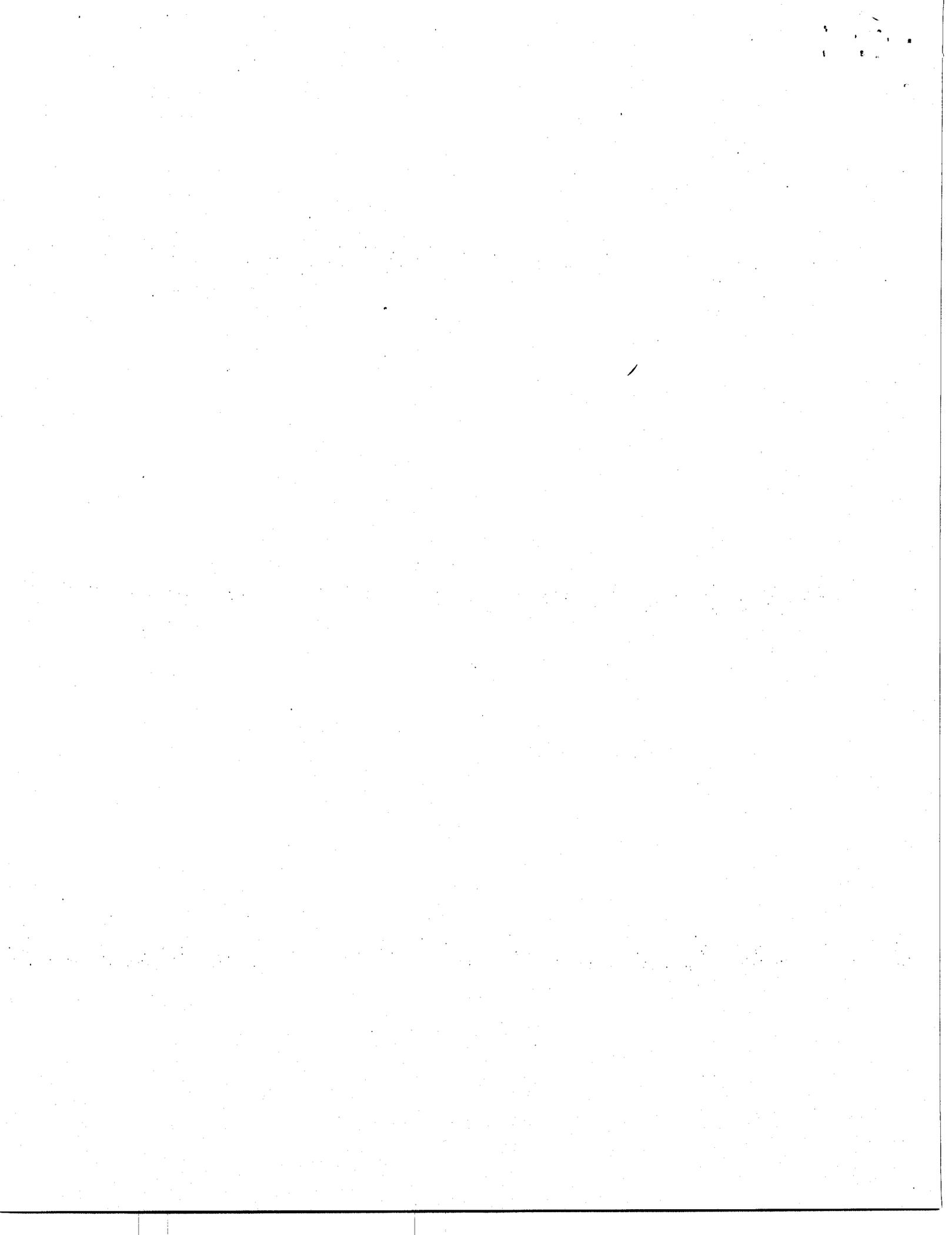
9
10 i. Within 30 days after the entry of this Final
11 Judgment on Consent, each of the Foreign Reinsurer Defendant
12 shall deliver a copy of the Settlement and the relevant
13 portions of this Final Judgment on Consent to each of its
14 officers, directors or employees who have or exercise any
15 underwriting authority for (i) reinsurance of United States-
16 sited risks insured under commercial general liability
17 policies or (ii) LMX retrocessional reinsurance. Within 60
18 days after the date of entry of this Final Judgment on
19 Consent, each Foreign Reinsurer Defendant shall file with
20 the Court an affidavit confirming its compliance with the
21 provisions of this subparagraph.

16 j. Within 30 days after the date of entry of this
17 Final Judgment on Consent, the Foreign Reinsurer Defendants
18 shall provide notice of the terms of subparagraph f. of this
19 paragraph to the London brokers through which LMX business
20 is placed.

19 k. For a period of 5 years from the date of entry of
20 this Final Judgment on Consent, the successors of any of the
21 persons described in subparagraph i. of this paragraph shall
22 be provided with a copy of the Settlement and the relevant
23 portions of this Final Judgment on Consent within 60 days of
24 having attained such position or status.

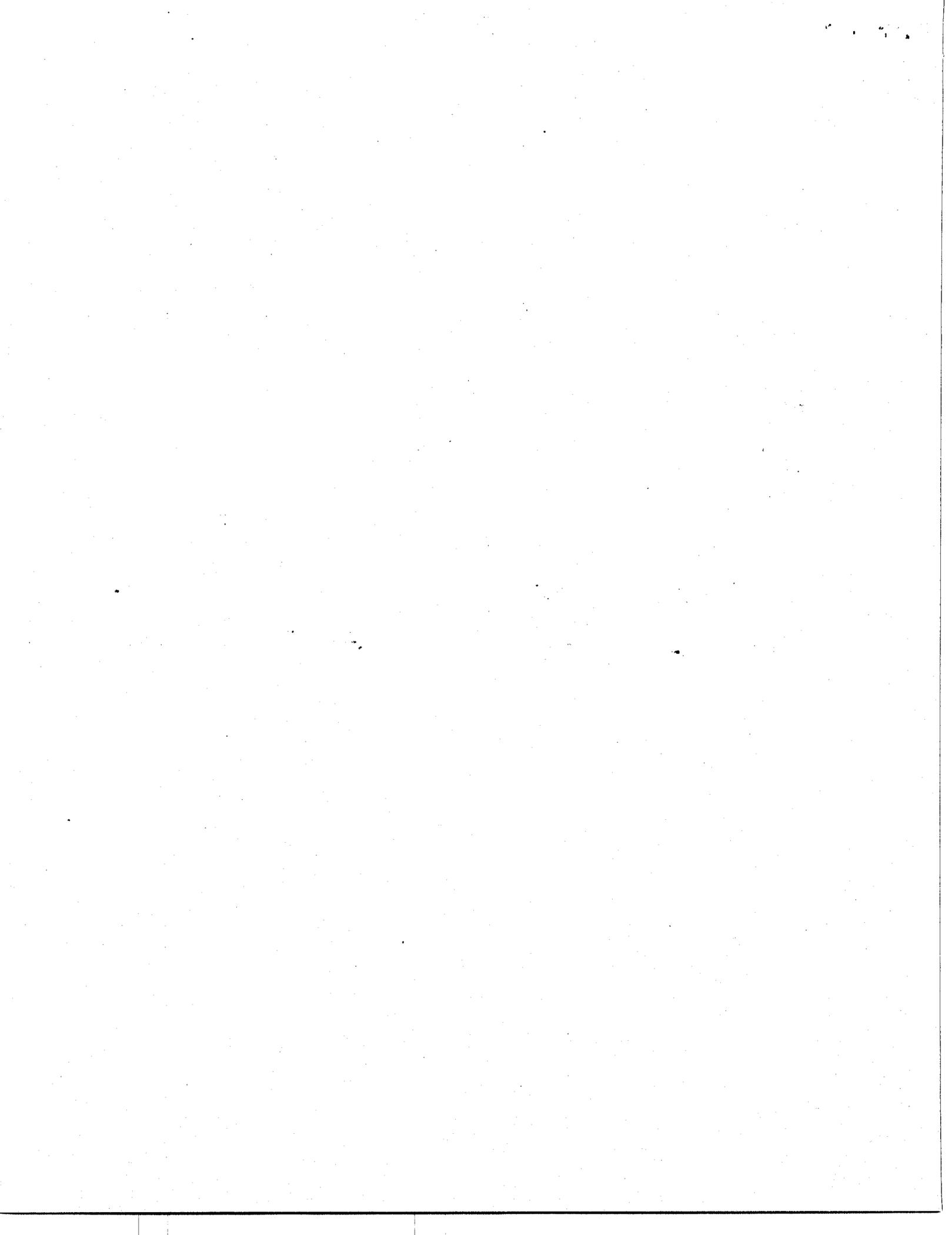
22 l. For a period of 5 years from the date of entry of
23 this Final Judgment on Consent, the Foreign Reinsurer
24 Defendants shall file with the Court annually an affidavit
25 verifying the continued implementation of a compliance
26 program that includes the terms set forth in subparagraph h.
27 of this paragraph.

26 m. Defendant Insurance Services Office, Inc. shall
27 implement its approved plan of reorganization in accordance
with the Settlement within 60 days of the entry of this
Final Judgment on Consent.



A T T A C H M E N T

H



1 Attachment H.

2 Distribution of Costs & Fees to Plaintiff States

3
4 The Plaintiff States have agreed among themselves upon a
5 distribution of costs and attorneys fees based on comparative
6 commitment of resources to the litigation. After the Final
7 Judgment on Consent shall have become final within the meaning of
8 the Settlement Agreement and the Escrow/Agent has released to the
9 Plaintiff States the portion of the escrow account allocated for
10 the payment of the costs and attorneys fee claims of the
11 Plaintiff States, such monies shall be distributed among the
12 Plaintiff States in accordance with their distribution agreement.
13 The Attorney General for each such State shall determine the use
14 and disposition of the payment made under this allocation
15 agreement to his or her State. In the absence of a state-
16 specific election attached hereto, the payment shall be used by
17 such States solely for one or more of the following purposes, as
18 determined by the Attorney General of each such State, at her or
19 his exclusive option and as otherwise consistent with law:

- 20 1. payments to reimburse the costs and expenses of
21 this investigation and litigation incurred by such States or
22 their agencies;
- 23 2. antitrust enforcement by the Attorney General of
24 such State;
- 25 3. payment into a state antitrust revolving fund;
- 26 4. payment into the Treasury of such State;
- 27 5. payment into a fund exclusively dedicated to
assisting State Attorneys General to defray the costs of

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

experts, economists, and consultants in multistate antitrust investigations and litigation; and/or

6. payment into the National Association of Attorneys General Antitrust Education and Training Fund.

Distribution of Costs & Fees to Pennsylvania

The Plaintiff States have agreed among themselves upon a distribution of costs and attorneys fees based on comparative commitment of resources to the litigation. After the Final Judgment on Consent shall have become final within the meaning of the Settlement Agreement and the Escrow Agent has released to the Plaintiff States the portion of the escrow account allocated for the payment of the costs and attorneys fee claims of the Plaintiff States, such monies shall be distributed among the Plaintiff States in accordance with their distribution agreement. The Attorney General for each such State shall determine the use and disposition of the payment made under this allocation agreement to his or her State. The Attorney General for Pennsylvania has determined that the payment shall be used by his State solely for the following purpose:

1. enhancing future antitrust enforcement by the Attorney General of Pennsylvania.

1 Attachment H (WI)

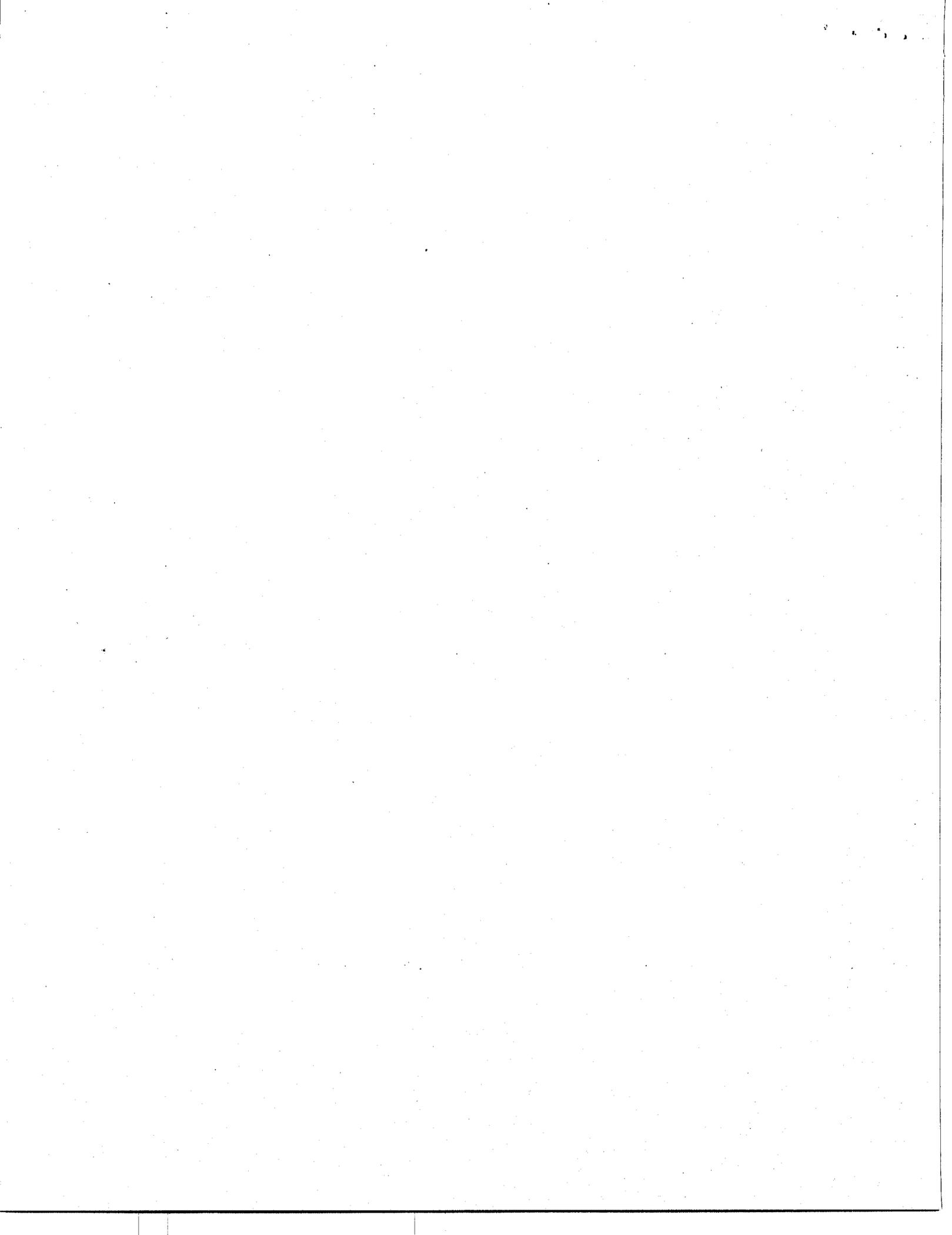
2
3 Distribution of Costs & Fees to Wisconsin

4 The Plaintiff States have agreed among themselves upon a
5 distribution of costs and attorneys fees based on comparative
6 commitment of resources to the litigation. After the Final
7 Judgment on Consent shall have become final within the meaning of
8 the Settlement Agreement and the Escrow Agent has released to the
9 Plaintiff States the portion of the escrow account allocated for
10 the payment of the costs and attorneys fee claims of the
11 Plaintiff States, such monies shall be distributed among the
12 Plaintiff States in accordance with their distribution agreement.
13 The Attorney General for each such State shall determine the use
14 and disposition of the payment made under this allocation
15 agreement to his or her State. The Attorney General for
16 Wisconsin has determined that the payment shall be used by such
17 States solely for the following purposes:

- 18 1. payments to reimburse the costs and expenses of
19 this investigation and litigation incurred by the Wisconsin
20 Department of Justice in this case; and
21 2. enhancing future antitrust enforcement by the
22 Attorney General of such State.
- 23
24
25
26
27

A T T A C H M E N T

I



ATTACHMENT I
SPECIFIC PROVISIONS

Within thirty days after the entry of a final, unappealable judgment approving this settlement agreement:

I. The Governance of ISO

(a) ISO's Board of Directors will be restructured so that at all times, officers and employees of insurance companies ("insurers") and officers and employees of ISO ("ISO staff") shall together constitute fewer than 50 percent of the members of ISO's Board of Directors.

(b) ISO's Articles of Incorporation and/or By-Laws (the "governing documents") will provide that:

(i) ISO's Board of Directors will consist of three insurers, the President of ISO, and seven persons (the "outside directors") who are not insurers or ISO staff members.

(ii) The outside directors of ISO shall be selected by vote of the entire Board of Directors.

(iii) A majority of the outside directors shall have authority to retain such consultants or advisors as they may deem appropriate. The Board of Directors is not precluded by this provision from authorizing an individual director or group of directors to retain such consultants or advisors as they deem appropriate.

(iv) Any change to any provision of ISO's governing documents, including the provisions described in this settlement agreement, will require the affirmative vote of three-fourths of the members of the Board of Directors.

(c) The first seven outside directors selected pursuant to this settlement agreement shall include three persons who have had substantial experience in the insurance industry, e.g., as agents, brokers, risk managers or regulators. These seven outside directors shall be selected by ISO's membership at the time of the membership votes described in Section VI hereof. The initial slate of candidates shall include:

OUTSIDE DIRECTORS

Glen A. Dell, President, Investcorp Management Services, Inc.

Christopher C. DeMuth, President, American Enterprise Institute for Public Policy Research

Frederick J. England, Chairman and Chief Executive Officer, Hastings-Tapley Insurance Agency, Inc.

John F. Lehman, Chairman, J.F. Lehman & Company
William H. McCartney, Partner, Kutak Rock Law Firm

Arthur J. Rothkopf, President Lafayette College
Barbara D. Stewart, President, Stewart Economics, Inc.

INSURER DIRECTORS

Gerald A. Isom, President, CIGNA Property & Casualty Group

Lauren N. Patch, President and Chief Executive Officer, The Ohio Casualty Insurance Company

F. David Rolwing, President, Montgomery Mutual Insurance Company

(d) In selecting future outside directors, ISO's Board shall consider the potential benefits of continuing to choose non-insurers with substantial experience in the insurance industry.

(e) Insurers and ISO staff members together shall not constitute a majority on any committee of ISO's Board of

Directors, including the nominating committee; insurers shall be limited to a minority on all such committees.

II. The Business and Purpose of ISO

As otherwise consistent with applicable law, ISO's governing documents may provide that:

(a) ISO's business and purpose is to make available rating, statistical, actuarial, policy form and related services; to function as an insurance rating organization, insurance advisory organization and statistical agent; to ascertain and respond to the evolving needs of insurers and the insurance industry, policyholders and regulators; and to engage in activities relating to the foregoing purposes.

(b) (i) In furtherance of such business and purpose, ISO shall establish user advisory panels consisting of insurance company employees, and non-insurer liaison panels selected largely from insurance industry organizations.

(ii) These panels shall have no decision-making authority, but shall be used solely to provide ISO with input and advice.

(iii) Membership on these panels shall be subject to approval by ISO's Board of Directors.

(iv) Members of the non-insurer liaison panels shall receive the same stipends, if any, as members of the user advisory panels.

(c) With respect to proposed major changes by ISO in its CGL policy coverage programs, user advisory panels and industry liaison panels will concurrently be provided with (a)

the same written material for their consideration and comment and (b) minutes of each other's meetings. The National Association of Insurance Commissioners ("NAIC") will also be provided with exposure drafts for its consideration and comment.

(d) With respect to proposed major changes by ISO in any of its other policy coverage programs, the proposals will, where practicable, be submitted for consideration and comment as exposure drafts to such panels and to the NAIC.

III. The Limited Role of Insurers

ISO's governing documents will be amended to provide that:

(a) ISO shall be a not-for-profit membership corporation with insurance company members.

(b) ISO's insurer directors shall be selected by the insurance company members.

(c) ISO's insurer directors shall not have the authority to vote on any matters as to which joint insurer action is prohibited by law.

(d) Insurance company members' voting rights shall be limited to (i) the selection of insurer directors, (ii) voting upon changes to provisions of the governing documents that involve rights provided to the members, and (iii) voting upon any proposed plan or agreement for the merger or consolidation of the corporation or of any subsidiary, or for the sale, lease, exchange or other disposition of substantially all of the assets of the

corporation or of any subsidiary, or for the conversion of the corporation to a stock corporation, or for the dissolution of the corporation, or as otherwise required by applicable law. Except as otherwise required by applicable law, such changes to the governing documents and the approval of any such proposed plan or agreement will require a two-thirds vote of ISO's members in addition to a vote of three-fourths of the members of the Board of Directors.

(e) No insurance company member shall be entitled to share in distributions of the property or assets of ISO except upon dissolution, merger, sale, consolidation or other disposition of ISO or any subsidiary, or of all or substantially all the assets of ISO or any subsidiary.

(f) No assessment of any members of ISO shall be permitted.

IV. Non-Discrimination and Non-Adherence Clauses

(a) No insurance company or other purchaser must be a member of ISO in order to purchase services from ISO, or must meet any criteria other than payment for the services that it purchases. ISO may however limit the uses made of its services to the extent permitted by applicable law (e.g., by prohibiting resale or sharing with non-purchasers, except where such non-purchasers are acting on behalf of purchasers).

(b) ISO's governing documents will provide that:

(i) Any insurance company or other entity authorized by applicable law to write a line or subdivision of a line of insurance in a jurisdiction or territory of the

United States may become a member of ISO by submitting a completed membership application form to ISO, if the company has purchased or contracted to purchase any services furnished by ISO.

(ii) No insurance company shall be required, as a condition of purchasing services from ISO or any subsidiary of ISO, to use ISO loss costs, rules or forms.

(iii) Except as may otherwise be required by law, all services of ISO are advisory, and the corporation encourages each participating insurance company to take into account its own loss experience, expenses and profit objectives, and to use its own actuarial judgments and procedures, in individually determining its own rates.

V. Requirements Regarding ISO Data

(a) Aggregated data upon which a general liability rate or advisory prospective loss cost filing by ISO is based will be made available by ISO, upon payment of reasonable fees, in the same form and detail to ISO's participating insurers and to third parties for their own or regulatory use, but not e.g. for resale or sharing with non-purchasers (except where (i) such non-purchasers are acting on behalf of purchasers, or (ii) ISO's Board of Directors may approve one or more requests that such data be made available for resale or sharing with non-purchasers; any decision to grant or not grant such approval shall be entirely in the Board's business judgment and may be upon such terms including fees as the Board may approve).

(b) When requested by insurers, risk managers, insurance pools or risk retention groups, ISO will collect cost data and disseminate aggregate historical cost data for any non-ISO general liability policy forms or superseded ISO general liability forms, upon reasonable terms including the payment of reasonable fees.

(c) (i) When requested by the Public Entity Risk Institute ("PERI") or a grantee of PERI or the consulting firm of John W. Wilson & Associates, ISO will consider within one year of the time of the request the adoption of an alternative system(s) for collecting data that enhance the flexibility of the data base for new or refined insurance products.

(ii) If PERI recommends that ISO conduct a closed-claim study of general liability pollution losses and agrees to fund ISO's costs of conducting such a study, ISO will do so, on the understanding that ISO will request compliance from its participating general liability insurers but has no power to mandate compliance, and on the further understanding that PERI may but will not be obligated to fund some or all of the insurers' costs of compliance.

(d) Subject to the cooperation of the NAIC, ISO staff will meet periodically with the appropriate NAIC committee or task force to review the specifications of the general liability module of ISO's Commercial Statistical Plan and to discuss possible changes to the Plan.

(e) At least annually, ISO staff will offer to meet with representatives of commercial risk managers (including

representatives of insurance pools or risk retention groups of municipalities and/or other governmental subdivisions) which are purchasers or prospective purchasers of ISO general liability products or services. The purpose of these meetings will be for ISO to receive such input on the collection, aggregation and dissemination of data relating to general liability insurance as those representatives wish to provide.

(f) If 30% or more of ISO's participating insurers, or insurers writing 30% or more of the premiums for any line of insurance, request that ISO seek from insurers a break-down of general liability data into any category additional to those set forth in ISO's Commercial Statistical Plan and offer to pay the reasonable costs related to implementing the change, ISO will either (i) include such a category in its Commercial Statistical Plan or, in the event that ISO staff does not do so, (ii) transmit the request to the Board of Directors, which will be obligated to consider the request in good faith and, in particular, to take into account the competitive impact of implementation of the request.

VI. Membership Approvals

(a) Insofar as the foregoing provisions require amendments to ISO's governing documents, they are subject to approval by ISO's membership. ISO's Board of Directors and management will provide for a membership vote on all necessary amendments by December 31, 1994, 1994 and will recommend and use best efforts that the members vote in favor of all such amendments.

(b) If the necessary membership approvals are not obtained by December 31, 1994, this settlement agreement shall be deemed null and void unless otherwise agreed by the parties.

VII. State Disclaimer

(a) Nothing in this settlement agreement concerning the scope or manner of ISO's operation shall be deemed to constitute approval or active supervision by any state of any activities undertaken by ISO.

VIII. Provisions Relating to Participation In ISO

(a) Aetna, Hartford, Cigna, Allstate and General Re shall not exercise decision-making authority in ISO with respect to Policy Forms that are filed or to be filed in the United States. This provision shall not prohibit Aetna, Hartford, Cigna, Allstate or General Re from expressing the individual view of that defendant, proposing or commenting upon proposed Policy Form matters, or participating in any ISO Insurer Committee, ISO insurer advisory panel or the ISO Board of Directors.

(b) For a period of five years, none of the . . . reinsurer defendants to this action or any officers, directors or employees of reinsurer defendant corporations, or their successors or assigns, or any other person expressly authorized by a reinsurer defendant or group of reinsurer defendants to act in a representative capacity on their behalf shall attend or otherwise participate, and ISO shall not permit such attendance or participation, in any meeting of the

ISO Board of Directors or any ISO Insurer Committee, ISO industry liaison panel, or ISO insurer advisory panel in which matters related to the development of Policy Forms are considered. This provision shall not apply to General Re, which is instead covered by Section VIII(a), and shall not prohibit any reinsurer defendant or any officers, directors, or employees of any defendant or their successors or assigns from expressing the individual view of that defendant regarding such proposed Policy Forms or otherwise participating in any such meeting as a representative of another entity.

(c) For purposes of this Section VIII:

(i) "Policy Forms" means general liability insurance policy forms, riders, endorsements, or parts thereof, and any applicable rules, that are developed by ISO.

(ii) "ISO Insurer Committee" means any committee or subcommittee, having any insurer members, within ISO or serving under the auspices of ISO including any ad hoc committee, special insurer committee, and underwriting - legal review committee.

IX. Successors and Assigns

The terms of this settlement agreement shall be binding on ISO, its successors and assigns.