SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

---X

THE PEOPLE OF THE STATE OF NEW YORK
by ELIOT SPITZER, Attorney General of
the State of New York,

Plaintiff,

-against-

ACORDIA, INC.

and

WELLS FARGO BANK, N.A.,

Defendants.

---X

Index No.

EXHIBITS TO COMPLAINT

ELIOT SPITZER
Attorney General of the State of
New York
Attorney for Plaintiff
120 Broadway, 23rd Floor
New York, New York 10271
(212) 416-8198

Exhibit 1

TravelersPropertyCasualty
A member of citigroup

One Tower Square
Hartford, CT 06183

[redacted]

October 8, 1999

Charles L. Ruoff, CPCU
Senior Vice President &
Chief Marketing Officer
Acordia, Inc.
111 Monument Circle, Suite 3200
Indianapolis, IN 46204

Dear Charlie:

Thank you for meeting with [redacted] and me on September 21, 1999 to discuss the changes to our Millennium Partnership program. As agreed, our original proposals and contracts are void and have been replaced with the attached proposal.

Below is my understanding of what we agreed to:

Deal Parameters

1. Acordia's production with Travelers Select through August 1999 is down over 10%. Based on our original proposal and your current production trend, Acordia would not earn a Millennium Override payment in 1999. As a result, we agreed to void all prior agreements and proposals and construct a new deal beginning with the 2000 calendar year. Both parties agreed our 2000 relationship should be built on growing our business to approximately $20,00,000.

2. To incent the proper national and local commitment to the program, we agreed to advance Acordia all of the 2000 Production Year Millennium Override and 50% of the 2000 Production Year Growth Incentive.

   The 2000 Production Year Millennium Override advance of one percent (1%) is calculated off of Acordia's December, 1998 Written Premium of $11,361,050. If Acordia, Inc. fails to maintain a Written Premium Ratio, defined as Performance Year

Written Premium/Base Year Written Premium, of 100%, Acordia must repay the advance.

The 2000 Production Year Growth Incentive advance is based on $3,000,000 of net growth on Acordia's December, 1998 Written Premium of $11,361,050. We calculated the growth incentive off a more conservative number. If at the end of the 2000 Performance Year, Acordia fails to achieve net growth of $3,000,000, Travelers Select will prorate the advance and Acordia, Inc. must repay the difference. (Please note our national goal is to grow by $9,000,000 in 2000, bring our relationship to $20,000,000.)

Acordia has the opportunity to earn higher growth incentives payouts based on the following table.

If Incremental Growth is		*Use Override Rate of*
Less than	$0	0%
$1 to	$3,000,000	3%
$3,000,001 to	$7,000,000	5%
Over	$7,000,001	7%

The Millennium Override advance equals $113,611 and 50% of the Growth Incentive advance equals $45,000. The total advance will be $158,611. Note - we will not adjust the advance for net present value.

3. We agreed all acquisitions prior to August of the Performance Year will reset Acordia, Inc's written premium base. Acquisitions having more than $5,000,0000 in Written Premium with Travelers Select are subject to review prior to including in our program.
4. The Service Center will be offered to Acordia Agency locations at no fee for the remainder of 1999 and 2000 and all new MasterPac(property/liability) placed in the Service Center will earn a first year commission of 20%. At renewal, the account will earn normal commission.
5. We agreed to design a contract, which would give Acordia, Inc. the authority to act on the behalf of the Acordia agency locations.

Program Implementation

1. By the middle of October, each Acordia agency location will provide Acordia, Inc. a business plan outlining their strategy to achieve growth with the Millennium Partners.

2. Acordia, Inc. and Travelers Select executed Travelers Select Service Center contracts for all contracted Acordia locations. Acordia, Inc.'s goal is for all Acordia agency locations to move 90% of their Travelers Select accounts less than $10,000 in premium to the Travelers Select Service Center. Any Acordia agency location who fails to meet this requirement must provide Acordia, Inc. with documented reasons why the threshold was not meet. We have included an implementation schedule for your agency locations.

3. The early stages of our implementation are crucial to the overall success of our program. For the next three months, we agreed to weekly teleconference calls to be held every Monday at 8:00 am EST. The next call is scheduled for October 11, 1999.

4. We will arrange meetings with all of the Acordia State Presidents and agency locations. Where we do not have a relationship, we will work with you to arrange meetings.

Thank you again from meeting with us. If you have any questions, please do not hesitate to call [redacted] or myself at [redacted]

Sincerely,

[redacted]

Exhibit 2

COPY

MEMORANDUM

DATE: August 11, 1999

TO: National P/C Marketing Committee

FROM: Charles Ruoff

RE: Millennium Agency System Partnership

Since March 1999, we have been in conversation with a number of our national insurance company markets for financial assistance with our new AMS Sagitta system project. With the understanding that this system would lead to lower transaction costs once the system was installed, we were requesting a 1% financial override for 3 years on our existing business to help finance the installation. The markets we initially approached all readily agreed to what we called the Millennium Partnership.

Subsequent conversations indicated that these markets were looking to tie this request to some growth advantage or even profitability improvement. While we were willing to engage initiatives to increase business, the Millennium override could not be tied to a target GWP growth or loss ratio result. As of this date the following markets are considered Millennium Partners (priority for business development) . . . see individual memo on each:

- Hartford
- Travelers
- Royal SunAlliance
- Chubb
- Atlantic Mutual

These markets have offered supplemental incentives to the Millennium override focused on specific program initiatives we have released to you or are continuing to develop.

The following markets, although providing initial agreement, have either tied the override to unacceptable contingencies or undefined objectives:

- CNA
- Firemans Fund

While we are still in dialogue with these markets, the preference must at this time be given to our "priority" group. This means that we expect to see our overall business grow with these "priority" companies especially through specific initiatives. I will let you know as soon as further information is available.

The third group of markets was selected only after certain initial markets were not responsive to our request. I am having discussions to determine their interest in being named a Priority Millennium Partner . . . the markets are as follows:

- St. Paul
- Kemper
- [redacted]
- [redacted]

At this time we are concentrating on the plans and initiatives put forward by our "priority" markets to the exclusivity of all other markets. As this changes, I will keep you informed on progress. Please communicate to all colleagues.

CLR/[redacted]

cc: [redacted]
Robert Nevins
Regional CEO's
[redacted]

bcc: [redacted]

Exhibit 3

Acordia, Inc.
111 Monument Circle
Suite 3200
Indianapolis, IN 46204
[redacted]

Charles L. Ruoff, CPCU
Senior Vice President

Acordia

August 9, 1999

[redacted]
Senior Vice President
Atlantic Mutual Insurance Co.
Three Giralda Farms
Madison, New Jersey 07940-1004

Re: Millennium Partnership

Dear [redacted]:

Thanks for your joint letter of July 30th and the check in support of our Millennium project. Please extend my thanks to Richard and Randy as well.

The additional incentives for growth of our business are appreciated and will be pursued as aggressively as possible. I would like to meet again to speak on how we actually will implement the initiatives and who within our companies need to be charged with taking them forward. I will be in New York City the morning of August 24th and August 27th if those dates work for you, and will provide some discussion points prior to our meeting.

Finally, our National Marketing Committee has been a focal point for our field office contact and they will be meeting on Long Island (Garden City Hotel) September 28-29. You and your colleagues are welcome to join us for dinner on September 28th and review our initiatives for discussion the morning of September 29th.

Please let me know which of the August planning dates are acceptable and if you can attend our marketing meeting.

Thanks again for your response.

Sincerely,

Charles Ruoff

Charles L. Ruoff

CLR/[redacted]
Attachment

cc: [redacted]
Robert Nevins
[redacted]

[redacted]
National P/C Marketing Committee

ACDHC00008249

Exhibit 4

Acordia
7701 York Avenue South, Suite 200
Minneapolis, MN 55435-5238
[redacted]

John Moore, CIC
Senior Vice President
Marketing

Acordia

CONFIDENTIAL

Date: 10-8-99

To: [redacted]

From: John Moore

Re: **Millennium Partnerships**

An outline summarizing the Millennium Partnership Agreements was recently circulated to you. The following will expand on that information and provide some additional clarification. Although the details of the agreements should be kept confidential, information should be shared with managers and others in your offices to the extent that it will help to maximize the incentive payments.

All of the Millennium Partnership Incentives are based on our existing book of business plus new business written. Loss ratio is not a factor. Retention is a factor only to the extent that it increases or decreases the override payment. In other words, incentive payments will be available regardless of loss ratios or retention percentages. With the exceptions noted below, the Millennium agreements should have no effect on your negotiation of local or regional incentives or profit sharing.

Offices not contracted with a Millennium Partner are encouraged to consider entering into a contract or expanding the current contract as necessary to take full advantage of the incentive plan.

Production and payment results for each Millennium Partner will be circulated to you on a quarterly basis. Payments will be allocated to each office in December in the form of a credit to EBITDA based on pro-rata share. Offices should not budget for this except for the direct commission rate increases.

<u>**Chubb**</u>
Applies to entire book of Gross Written Premium (GWP) including all lines of Commercial and Personal.

Acordia has agreed to emphasize new business production for Personal Lines and Executive Protection / D&O.

Our Region will be negotiating an incentive for growth that will be in addition to the Millennium agreement.

Atlantic Mutual
Applies to entire book of Gross Written Premium (GWP) including all lines of Commercial and Personal.

An incentive for Acordia's growth on a national basis is built into the agreement. The factors start at 1% and range up to 6%. An outline of the tiers has been requested from corporate. This growth incentive takes precedence over special local or regional plans, but does not affect local profit sharing agreements.

Hartford
Limited to Commercial Select Customer and Personal Lines.

Acordia will emphasize placement of business into the Hartford Service Centers for both Commercial Select Customer and Personal Lines. The Service Center fees are waived on all new business. The renewal fees are 1% on Commercial and 2% on Personal.

7% additional commission will paid on new Commercial Select package business. For Personal Lines, 3% additional (i.e. 18%) applies to new and renewal Homeowners, Inland, Standard Auto, and Umbrella. Legacy Tier Auto / Umbrella and EQ remain at 10%. Details on a Hartford Personal Lines Profit Sharing Agreement will follow. It is a national agreement that is payable to each office.

An additional incentive for Acordia's growth on a national basis is built into the Hartford agreement. The factors start at 3% and range up to 5% for Commercial and 1% to 6% for Personal Lines. An outline of the tiers has been requested from corporate.

Travelers
Limited to Travelers Commercial Select and Personal Lines.

Acordia will emphasize placement of business into the Travelers Service Centers for both Commercial Select Customer and Personal Lines. The Service Center fees are waived on all commercial, and reduced to 1% on all Personal.

5% additional commission will paid on new Commercial package business; 5% additional on new Personal multi-line accounts.

An additional incentive for Acordia's growth on a national basis is built into the Travelers agreement. The factors start at 3% and range up to 7% for both Commercial and Personal Lines. An outline of the tiers has been requested from corporate.

Royal SunAlliance
Applies to entire book of Gross Written Premium (GWP) including all lines of Commercial and Personal.

Acordia has agreed to emphasize new business production for Personal Lines, Executive Protection / D&O and Integrated Benefits.

Our Region is negotiating an incentive for growth that will be in addition to the Millennium agreement.

Confidentiality
Maintaining the confidentiality of the Millennium Partnership agreements is essential. Disclosure outside of Acordia has the potential of voiding them.

c: [redacted]
Charile Ruoff

Exhibit 5

Millennium Agency System
Partnership Plan

Purpose and Objective

The objective of this plan calls for Acordia to engage in a partnership with a few key national markets to achieve:

a) Enhanced revenue and/or financial assistance to offset and minimize the costs associated with the AMS Sagitta project;

b) Strength of relationships with Preferred Market Providers;

c) Provide a platform for developing model internet interface and new business processing techniques.

Partnership Selections

Our selection of markets will be based upon Preferred Market status of existing insurers indicating significant existing business and their critical status in our long-term business growth plans. While some 10 markets have been selected for Preferred status, only the following are likely to be serious candidates for this plan:

Key Preferred Markets

CNA	Royal SunAlliance
Chubb	Travelers
Hartford	Atlantic Mutual
Fireman's Fund	

Realistically, we might expect to reach final agreements with only 5 of these 7 markets. This should be a manageable number for achieving the objectives of the plan especially if substantial premium growth becomes one of their requirements.

Insurers who are not on this primary list, but who might be considered alternates if we fail to attract a sufficient number from the primary group as noted below:

Uncertain Market Alternatives

St. Paul – uncertainty over future direction given new President in place and poor integration of the USF & G business they acquired.

[redacted] - Have divided company into too many SBU's which operate virtually independently and report up to either [redacted] in Schamburg or [redacted] in Baltimore (formerly [redacted] operations)

ACDHC00008151

Kemper- Traditionally a very small participant in our agency business so relationships are not extensive in the regions.

[redacted]- focused mostly in Risk Management business and while Commercial (middle market) business is growing, it is at a very slow pace.

[redacted]- Active in all but two of our regions and expect they will continue to grow, so positive about using them as an alternate.

[redacted]- We have more benefit business than P/C and recent announced sale To [redacted] in Bermuda puts uncertainty over nature of our future relationship.

In addition to the above markets, we considered approaching [redacted] however, this market is very transaction (rather than relationship) oriented, interest is specialty lines almost exclusively and have closed down their middle market initiative (i.e. Regional Company strategy). Other markets such as [redacted] etc. are important regional markets, but lack broad representation in our business portfolio or sufficient GWP to be meaningful. They could be useful if we ask regions to adopt a regional supplement to this national plan.

__Financial Objectives__

We might achieve the financial objectives in a number of ways, and we should leave the method to the discretion of each insurer. The form of the financial enhancement might be any one of the following:

a) Grant – this would be a specific sum that would be based on current writings and only require implementing model business processing on some preferred basis (i.e. before other markets)

b) Override Incentive – an incentive commission over and above office or regional contingent bonuses or incentive deals…an incentive equal to 1% of GWP would be a target possibly tied to some growth in business or other requirements.

c) Loan arrangement – similar to the override above except repayable if a specific business target is not achieved.

d) Loan guarantee – to guarantee a loan repayment to third parties so our cost of funds would be lowered.

e) Purchase/Lease arrangement – to purchase equipment for our use which lowers or eliminates our expenditures.

In general, we would prefer the Override Incentive over a 2-3 year period (see Exhibit A), but this will depend upon what growth or other conditions are tied to this or any other agreement. In addition to business growth targets, markets may provide other stipulations on business retention ratio; new business success ratio (i.e. quoted-to-written) or sell designated lines of business, industry groups or programs. We need to be receptive, but realistic on how these may be achieved.

We should be prepared to share our cost projections for full implementation of the AMS system as part of our presentation to insurers…perhaps we can use the same material as provided to the Board.

<u>Business Objectives</u>

We need to stress the advantage of participating markets in working with us to develop and implement the AMS technology in business processing. This could have material benefits to them having the inside track for future business development and processing cost reductions with all of the Acordia offices. We should not minimize the value of this objective to our markets as it has long-term significance greater than the near term GWP growth.

We will need to provide resources to work with their technology/business units to actively develop this aspect.

<u>Implementation</u>:

To achieve our desired objective, we should follow the plan below:

- Direct personal contact by Bob Nevins to the insurer CEO to briefly describe the objectives and to establish meeting date with Acordia Senior Executives;
- Senior Acordia executives comprised of Nevins, [redacted] and Ruoff should attend the subsequent meeting presentation;
- Presentation should be prepared describing the magnitude of the AMS project with financial and business dynamics;
- Potential business linkages with growth and mutual economic efficiencies should be presented; and
- Form of financial assistance should be presented in form of Override Incentive but allowing for other alternative methods to be considered.

Market Contacts

The following individuals should be our initial contacts:

CNA	[redacted] (since departure of CEO, [redacted] needs to guide us to the right person)	
Chubb	[redacted], Chairman –	Telephone [redacted] Fax
Hartford	[redacted], Chairman, President & CEO	Telephone [redacted] Fax
Fireman's Fund	[redacted] President, Commercial Lines	Telephone [redacted] Fax
Royal Sun Alliance	[redacted], President	Telephone [redacted] Fax
Travelers	[redacted], Vice Chairman	Telephone [redacted] Fax
Atlantic Mutual	[redacted], Chairman	Telephone [redacted] Fax

Driving Process for Successful Results

Acordia:

- Assign target growth requirement to regions;
- Targets become part of office/regional management objectives;
- Discuss progress in Monthly CEO reports; and
- Quarterly monitoring of regions progress for national incentive (i.e., send additional person to Sales Conference in 2000)

Markets:

- Full acceptance of Preferred Market requirements;
- Positive underwriting approach to aid growth;
- Continuance of existing direct and incentive commission agreements; and
- Action on account development, business retention and product training programs

Acordia/ Markets Together

- Assign senior executives and other resources as necessary to achieve objectives

- Meet as necessary to resolve issues or difficulties with resource allocations or local commitments

CLR/[redacted]

Exhibit A

MILLENNIUM AGENCY SYSTEM PARTNHERSHIP

Our Key Market Expectations On Override Based On Gross Written Premiums (Thousands)

Key Market	'97 GWP (000)	Est'98 GWP* (000)	Est '99 GWP (000)	Estimated Override '99
CNA	$ 95,205	$ 95,000	$ 96,000	$ 960,000
Chubb	98,008	97,500	98,000	980,000
Hartford	41,260	42,000	44,000	440,000
Fireman's Fund	51,405	57,500	60,000	660,000
Royal SunAlliance	25,981	27,500	30,000	300,000
Travelers	78,733	78,000	79,000	790,000
Atlantic Mutual	14,828	16,000	18,000	180,000
TOTAL ESTIMATE				$4,250,000
Alternate				
[redacted]	20,336	22,000	25,000	250,000
St. Paul **	47,448	44,000	44,000	440,000

*based upon reports from insurers at 6/98

** excluding USF&G business of $27 million

Exhibit 6

Acordia, Inc.
111 Monument Circle
Suite 3200
Indianapolis, IN 46204
[redacted]

Charles L. Ruoff, CPCU
Senior Vice President

Acordia

COPY

MEMORANDUM

DATE: September 7, 1999

TO: [redacted]

FROM: Charles Ruoff CLR

RE: **Millennium Partnerships**

As mentioned in my memo of August 11th the Millennium initiative has developed supplemental incentive offerings from a number of our markets while others have disappointed us by requiring ties to profitability targets.

At this time the priority for business development must be given to the following markets:

- Atlantic Mutual
- Chubb
- Hartford
- Royal SunAlliance
- Travelers P&C

In addition, it should be noted that CNA and Fireman's Fund have declined to support our financial plan without profitability stipulations. We are therefore not inclined to support any business growth with them at the determent to our Priority Millennium Partners noted above. Please be guided accordingly in the future business plans within your region. I will shortly be sending you a summary of the plan(s) negotiated with our priority markets along with a projection of anticipated supplemental revenue that could be generated at various growth in GWP figures. Most of these markets have requested that the terms of these arrangements be kept confidential for competitive reasons (ie. other markets and brokers). Please caution your colleagues accordingly but they need to know that significant revenue and strategic partnerships are at stake.

I think it would be prudent to have the members of the National Marketing Committee act as a focal point for these plans as they have been close to the development stages that have taken place. In fact, several of these markets have participated at our committee meeting which included discussion of how to implement the plans. We need to keep some simple guidelines in mind:

(1) we need manage and work at this business consolidation process as it will not happen automatically;
(2) the service center approach (Travelers and Hartford) on small commercial and personal lines must be given careful consideration and planning especially in light of future expectations on margin improvements;
(3) there could be local conditions which may preclude implementing one or more of these market initiatives....we don't want to force those issues but you need to sign off on them. Please keep me informed and be sure we have valid reasons and not just excuses.
(4) all of the revenue generated to the corporate office out of these initiatives will be credited back to each office on the basis of the contribution to the final result at your end. In some cases new or supplemental revenue is payable directly to the office in the direct commission enhancements;
(5) offices that need market appointments can arranged through the Marketing Committee who can also serve to resolve any local issues with the regional executives of these markets...any unresolved problem can be referred to me;
(6) none of these incentives are loss ration sensitive.

I fully expect that we can further improve these terms being offered in future years but only if we use the leverage of our existing business and new business opportunities to deliver some growth. In the near term with our basic Millennium Override and some early progress on these growth incentives, we could end 1999 with a total of $2 million in market payments. We need help throughout the regions to make this happen. Your support is appreciated and will send you details shortly.

cc: [redacted]
Robert Nevins
[redacted]
[redacted]

P.S. We are still in discussions with [redacted], Kemper, [redacted] and St. Paul but no commitments have yet been made.

Exhibit 7

September 30, 1999

[redacted], Chairman
Kemper Insurance Group
One Kemper Drive
Long Grove, IL 60049

Re: Millennium Partnership

Dear Dave:

Last week Acordia had its Annual General Management Meeting in Denver, which included senior management and regional/office management of the company. I had the opportunity to present a detailed description of the markets, which have responded to our partnership plan. While noting that your company has elected not to participate at this time, I remained hopeful that you might still do so in the very near future. The emphasis on the Millennium partners as our priority markets for the remainder of this year and into 2000 was a key objective of this meeting. We would still like to find an appropriate position for your company but need to keep it within the context of those markets that have stepped forward to our initial invitation. Please let me know if we can find a solution before our marketing plans for the next 18 months exclude you from growth potential.

Sincerely,

Charles L. Ruoff

CLR[redacted]

cc: [redacted]
Kemper Insurance Group

Exhibit 8

Charlie Ruoff

From: [redacted]@acordia.com]
Sent: Tuesday, February 05, 2002 2:45 PM
To: charles ruoff (E-mail)
Subject: FW: Travelers- Personal lines

Charlie, here is response from our Atlanta office. I believe [redacted] responded directly to you for the West Palm Beach office. Will advise shortly on Clearwater and Alabama.

[redacted]

-----Original Message-----
From: [redacted]@acordia.com]
Sent: Tuesday, February 05, 2002 3:29 PM
To: [redacted] (E-mail)
Cc: [redacted] (E-mail)
Subject: Travelers- Personal lines

Hi [redacted]...Hope you are doing great...[redacted] asked me to email you a response to Charlie Ruoff's inquiry about our placing more business with Travelers in the future.....Since Travelers is not a high valued market (product and claims), and we target only the affluent (or emerging!) to compliment our markets and business strategies, it is unlikely we will show a dramatic increase in volume out of our Atlanta operation. I am the only producer and also have manager/team leader responsibilities, and it is pretty much up to our 4 account managers to support Travelers with spinoff business and MetLife rollover. Travelers has helped us with taking some small [redacted] accounts through their service center (54000 in premium went to them last year).... I never had Travelers until the Millenium deal was instituted and had to politically explain to CNA (at the time!) why I would be moving some accounts from them....I predict another 50k in premium to Travelers this year. They have a Select Homeowners policy which I do not have access to and it is designed for affluent clientele. However, with CHubb, Atlantic and FF, I do not need any more affluent markets! Plus, I think Travelers just cant respond from a claims philosophy standpoint (ie- agreed value settlement on property). We clearly need the market and may eventually move all the [redacted] to Travelers but there are coverage disadvantages in doing so.. The one way we could give them more business is if they had a call in service center where we could have spin off or small accounts call them to issue policies with us as broker, at a reduced commission . Doing the applications, costimators and credit underwriting is very tedious, and the underwriting guidelines and stiplulations are way too detailed to make it cost effective to place a new account with Travelers. I will say their marketing rep, [redacted], is one of the greatest and they are lucky to have him on board! Hope this helps....[redacted]

Exhibit 9

ISAACSON

Acordia.

THE HARTFORD

Partnership Meeting

December 18, 2003
Chicago, IL

Acordia

THE HARTFORD

Agenda

FINANCIAL UPDATE

- 2003 YTD Acordia / HIG Results
- Partnership Bonus Forecast
- VIP Status

2004 INITIATIVES

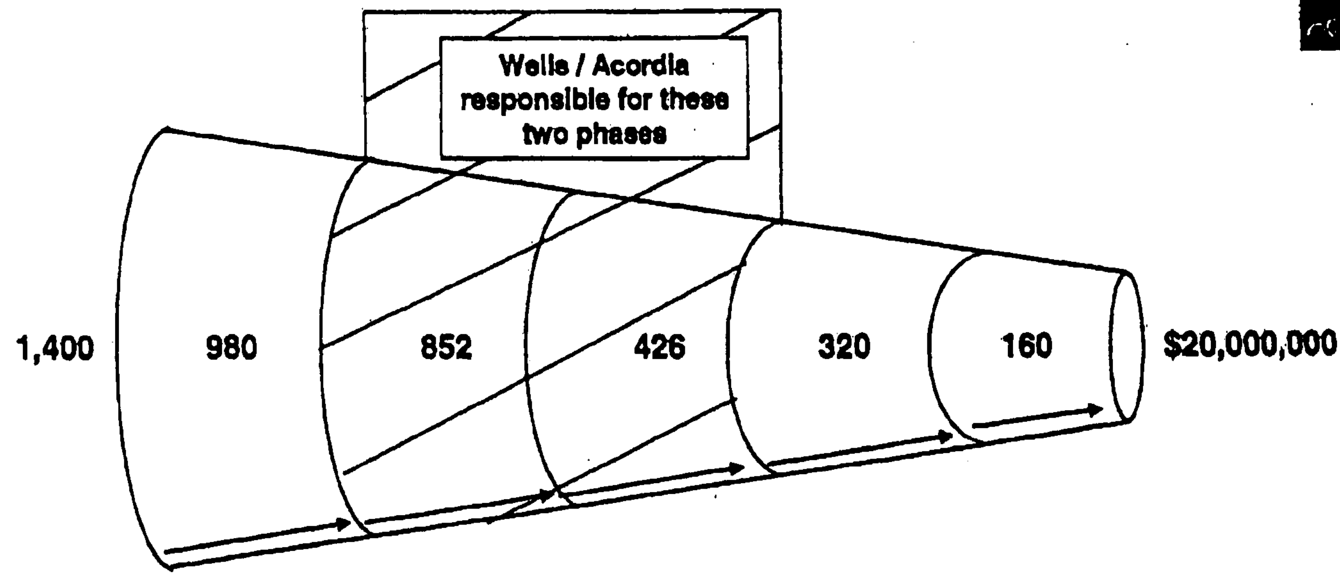
- Select XPand
- Middle Market Target Industry Bonus
- Acordia Opportunity Offices
- "Consolidation of Markets" Initiative

"SHARE SHIFT" PLAN STATUS

- New Business
  - Wells X-Sell (Middle Market and Small CL)
- Consolidations
  - Atlantic Mutual
  - Mountain West Small Commercial
- Practice Groups
  - RFG/HFP Deal
- Support
  - BMG, HSI Opportunities

Exhibit 10

WELLS / ACORDIA CROSS SELL SALES FUNNEL



Initial Expectations	1,400 Wells Clients in 4 Target Industries	30% of prospects screened out for sub-optimal MM scoring, size & state	80% of target list will receive Wells RM referral for Acordia Producer to engage, by x-date	50% of these referrals will get to the quote submittal stage, 100% of which should be submitted to The Hartford	Due to target industry focus and pre-scoring, expected Quote Rate is 75% - 2.5x better than current rate	Hartford objective is to write 50% of business quoted	160 accounts @ average of $125k each = $20M in incremental MM premium
Actual Results to-date	1,400 Wells Clients in 4 Target Industries	30% of prospects screened out for sub-optimal MM scoring, size & state	• 47 Leads have been entered into the tracking system • 15 of these leads have been "Accepted" by RM's - progress is unknown		Due to target industry focus and pre-scoring, expected Quote Rate is 75%	Hartford objective is to write 50% of business quoted	TBD # of accts @ average of $125k each = TBD in incremental MM premium

Exhibit 11

Scott Isaacson

From: [redacted]@acordia.com]
Sent: Friday, June 13, 2003 4:46 PM
To: [redacted]@acordia.com'
Subject: FW: Acordia - Wells Fargo Middle Market Cross-Sell

With this middle market initiative along with other activity, we should have a good chance of achieving a significant additional bonus from Hartford for the next two years. I'll discuss at next weeks meeting.
-----Original Message-----
From: [redacted]@acordia.com]
Sent: Friday, June 13, 2003 8:19 AM
To: [redacted](Comm Lines, HO/EM)'
Cc: 'Tom Hite (E-mail)'; [redacted](E-mail)'; [redacted](Comm Lines, HO/SBD)'; [redacted](E-mail); [redacted](E-mail); [redacted](E-mail); [redacted](E-mail); [redacted](E-mail); [redacted](E-mail); [redacted](E-mail); [redacted](E-mail)
Subject: RE: Acordia - Wells Fargo Middle Market Cross-Sell

[redacted] this demonstrates real commitment on the Hartford's part and I think you will see us reciprocate in return. It certainly helps when both partners share an equal desire to roll up their sleeves and make something happen. I look forward to discussing the plan in more detail at our RBDO meeting in Chicago next week. We are staying at the Hyatt right outside of O'Hare, [redacted] my assistant can give you more detailed info. Thanks.

Regards,

[redacted]

-----Original Message-----
From: [redacted](Comm Lines, HO/EM) [mailto:[redacted]@thehartford.com]
Sent: Thursday, June 12, 2003 4:27 PM
To: [redacted](E-mail)
Cc: Tom Hite (E-mail); [redacted](E-mail); [redacted] (Comm Lines, HO/SBD)
Subject: Acordia - Wells Fargo Middle Market Cross-Sell

[redacted]- thought you'd want to see how we're positioning the opportunity with our field leaders. [redacted] is head of Middle Market at Hartford. A lot of enthusiasm is being generated as we talk to the RVPs. Looking forward to seeing you and the BDOs on the 25th.

-----Original Message-----
From: [redacted](Comm Lines, HO/CS&AM) **On Behalf Of** [redacted](Comm Lines, HO/CS&AM)
Sent: Thursday, June 12, 2003 4:20 PM
To: [redacted] (Comm Lines, OPER); [redacted] (Comm Lines, No. Cal/RO); [redacted] (Comm Lines, So. Cal./RO); [redacted] (Comm Lines, Denver/RO); [redacted] (Comm Lines, Denver/RO); [redacted] (Comm Lines, Chicago/RO); [redacted] (Comm Lines, Dallas/RO)
Cc: [redacted](Comm Lines, Western Division); [redacted](Comm Lines, CHAR/CENTER); @COMM WEST MM Mgrs; @COMM BTSM; [redacted](Comm Lines, Detroit/RO); [redacted](Comm Lines, Detroit/RO); [redacted] (Comm Lines, Chicago/RO); [redacted] (ETSD, IT); [redacted] (Comm Lines, Denver/RO); [redacted] (Comm Lines, Sac/RO); [redacted] (Comm Lines, So. Cal./RO); [redacted] (Comm Lines, Denver/RO); [redacted] (Comm Lines, Denver/RO); [redacted] (Comm Lines, San Antonio/SCIC); [redacted] (Comm Lines, HO/CBI); [redacted](Comm Lines, Detroit/RO); [redacted](Comm Lines, Chicago/RO); [redacted] (Comm Lines, Detroit/RO); [redacted](Comm Lines, HO/EM); [redacted]

Exhibit 12

Anderson, Bruce W (Comm Lines, HO/EM)

From: [redacted] (Comm Lines, HO/EM)
Sent: Wednesday, December 10, 2003 11:25 AM
To: Tom Hite (E-mail)
Cc: [redacted] (Comm Lines, HO/SBD); [redacted] (Comm Lines, HO/CS&AM)
Subject: Atlantic Mutual

Tom, following on our recent discussion.....the sale of Atlantic's commercial business to OneBeacon presents an opportunity for us to step up the local discussions Hartford regionals already have underway with Acordia offices. We previously had identified Atlantic with you as a 'vulnerable company' for purposes of the consolidation piece of our joint 'share shift' plan. Now with that business going to a non-Partner Market for Acordia, we're hoping to see Acordia corporate take a proactive stance with local offices in steering that business to PMs like Hartford. What we'd envision is something similar to what we've done successfully with a few other broker partners, where Kevin or Scott sends a communication to top AM offices* reinforcing the need to migrate to PMs, quantifying the benefit of doing so with the Atlantic book, and directing them to favor Hartford with first and last look.

Taking a page from other communications we've seen, it would make these 4 points:

- reinforce the Partner Market strategy and use the AM/OneBeacon announcement as an example
- Hartford has stepped up to work with us on this opportunity and has put together the attached business case to demonstrate 'what's in it for us' with key Acordia offices. For example, they project we will could earn an additional $1m in local and national bonuses (including our new Partnership Bonus) by moving even 1/2 of our AM book
- Hartford tells us their underwriting appetite alignment with Atlantic Mutual is very favorable, in some cases up to 80%+
- They have committed field underwriting and marketing resources to profile and transition these books, and to give Acordia/AM submissions priority in return for first/last look

I think this would be a solid example of demonstrating our joint commitment to the 'share shift' plan and give us a production boost going into 2004. We can have [redacted] or [redacted] call [redacted] if you think that would be helpful. Let me know what you think. We can also discuss at our meeting next Thursday in Chicago. Thanks for all your support.

[redacted]

* NYC, Morristown, Minneapolis, Encino, OH, Northern Cal, Atlanta

Exhibit 13

Thomas Hite

From: Thomas Hite
Sent: Wednesday, January 28, 2004 10:02 AM
To: [redacted] (E-mail)'
Cc: [redacted]
Subject: Atlantic Mutual Business

[redacted], as you likely know, One Beacon will not be writing business in Ohio for Ohio based agents and brokers. As you are contemplating what you will be doing with this business, please consider the Hartford. They have stepped up with incentives that could increase both our local and national payouts. Moreover, they have studied the book in general and feel that they have an appetite for the business. Last, they will provide resources to profile the book and will give any AM business we submit a priority in exchange for first/last look.

I understand these kinds of decisions need to be local, [redacted]. I wanted to be sure that you were aware of the Hartford's interest in the AM busienss and what they are willing to do to secure it. Please let me know if you have any questions.

Tom

Exhibit 14

Acordia

P&C Marketing Group Meeting
October 23, & 24, 2003
Chicago, IL

Attendees: [redacted], [redacted], [redacted], Tom Hite, [redacted], [redacted], [redacted], [redacted], [redacted], [redacted], [redacted], [redacted]

P&C Updates – Tom Hite

Greenbrier
Three messages were given to the companies we met with at Greenbrier:

1. Acordia is investing in people like Tom Hite, [redacted], [redacted], and [redacted] to create corporate resources so we can make successful brokerages even more successful.
2. Cross sell with the Bank is working. We have brought in $100 million in premiums so far as a result. The cross-sell group will meet its goal and expects to grow significantly next year.
3. We would like carriers to recognize Acordia as having a national sales force. The carriers understand this and realize that they need to cooperate more. Hartford and Travelers already look at Acordia on a national basis, but still don't treat our offices the same.

We also met with [redacted] at Greenbrier. They are only slightly smaller than a company like [redacted]. Westfield is hiring people from outside the company for the first time in its history. They want to set up meetings with offices in Indiana and Michigan to grow the business. [redacted] mentioned that the Midwest region has a large, stable book with Cincinnati. [redacted] mentioned that [redacted] has opened a surety office in Pittsburgh and that is now their biggest surety office, although we don't have any P&C business with [redacted] yet. [redacted] mentioned that our West Virginia agreement is a master agency code with sub-agency codes. We will have five agencies in Virginia, and if [redacted] gets adequate business from those five, they will not add any agencies to the agreement.

Tom Hite will get [redacted] in touch with [redacted] in Clearwater and with [redacted]'s area.

The Acordia person who heads up the school business is unable to get an appointment with [redacted]. [redacted] tells us that any account over $75,000 now has to go to [redacted] because we have a [redacted] agreement, but [redacted] is declining the business. **Tom will talk with [redacted].**

Small Business Initiative
Tom Hite is working with Wells Fargo Insurance (WFI) to understand its small business customers. We have agreed to run a pilot in Minneapolis because it's a sizeable office for us and for Wells Fargo. Tom goes to Minneapolis next week to begin the process.

We have agreed with Wells Fargo that companies under $2 million in sales should go to WFI and all others above that go to Acordia. This is an arbitrary division because customers will ultimately make the decision, and some industry groups that will be treated differently. Wells Fargo will pull business mainly through the community banks using direct marketing techniques. Acordia will pull customers by working with relationship managers and business bankers to develop opportunities.

We do small business differently everywhere we go – we need to establish a best practice and communicate that throughout our organization. How do we get the business, what do we do with it when we get it, how do we service it? If we're going to cross sell to Bank customers, we have to do it more efficiently. Tom is trying to get more than one view of how this business is being handled.

Wells Fargo will only use [redacted] for the small business initiative, mainly for the sake of convenience. We are still waiting for information from the Bank as to how the commissions will be paid to Acordia offices. Once we get that information, we will be able to talk with carriers about the initiative. Our preference would be to go directly to carriers for the best quote. Very often, business goes to the one that gets in the first quote.

Tom's view is that if customers are willing to use the WF platform, it will be less expensive because Wells has more resources than we do. The customer will be better off on that platform. We can refer customers to Hartford that don't want to use the Wells platform and that are too small for us.

We will be getting SIC codes and will sit down with enough underwriters that we'll be able to find the right one to handle this type of business.

Real Estate Program
Tom Hite has become the point person for Acordia for the Wells Fargo Real Estate Group. He will start working with the bank and Acordia offices to get the real estate initiative off the ground. We thought that [redacted] had a proprietary program, but it fell through. Tom has had conversations with [redacted], CNA, Travelers, St. Paul, [redacted], and [redacted] and has a summary of classes that they want and don't want. The information was sent to the BDOs with the understanding that when there's a relationship involved, they will pass it on to Acordia. Bankers in the Real Estate Group have more control over their customers and get better introductions, so we should have a better chance of getting the business. **Tom Hite will send REG information to the P&C group.**

There are also bankers that specialize in agriculture and gaming as well as other parts of the bank that are natural customers for us. Tom has asked for information from the Bank by SIC code so that we can get a view of the Bank customers. We can then talk with our underwriting partners and ask for information on their appetites. We are also working to educate the bankers about our criteria. We want to identify customers and underwriters and work to put together something that looks to the customer that it's available only from Acordia. Agriculture is the largest key segment for the Bank. We are looking for markets for business other than crop and hail. **Tom asked the group to email him the names of the agriculture specialists in our offices.** Tom's job is to try to find out where in the organization we have that business and which carriers have an appetite. **If you have brokers that are specialists in this area, send contact information to Tom.**

The suggestion was made that we put together a branded program for habitational using layered coverage. [redacted] said that the Charleston office was able to take two accounts away from [redacted] because we were able to put together a layered program with Chubb as the main carrier. Most of these accounts are already accustomed to segmenting the business, so this isn't unusual for them. [redacted] has also had one account like this that was done mostly through [redacted]. [redacted] reported that her area has had to layer most of its habitational business.

Travelers Personal Lines
Tom Hite asked the group whether we are rolling Royal personal lines business to Travelers.

[redacted] said that there is no Royal business in the Mid-Atlantic region, although it's a huge advantage to move business to the Travelers Service Center because it's the only service center that truly works well.

[redacted] said that the East region has some business, but we have a security issue with Royal that requires that a letter go out to customers. The letter sent to the customer suggests that they move the business right away but we don't have anywhere to move it yet We do plan to move about 600 policies, and Travelers will take about 465 of those. We are waiting until renewal dates for the rest of the policies.

Tom Hite reminded the group that if we make a certain amount of Royal business move to Travelers for next year it will be a better deal for Acordia. If we don't move the Royal business, we'll have trouble making the threshold for our override.

Atlantic Mutual

The group discussed the current situation with Atlantic Mutual and its rating. Tom Hite passed out a financial argument for giving our Atlantic Mutual book of business to Travelers. We would receive a 3% override independent of anything else. Rolling the business would also get us to a higher commission level with Travelers. All together, if we move $24.8 million in business, we could be eligible for $1 million in incentives.

[redacted] mentioned that New Jersey and New York have a lot of business. Pittsburgh has a handful of accounts.

[redacted] reported that Florida has no real business with Atlantic Mutual. We have significant personal lines and commercial lines in Atlanta and are moving most of the commercial lines to St. Paul and Travelers. Personal lines are being moved to St. Paul, Fireman's Fund and Travelers.

Many of the carriers want to know what we're going to do with this business and are offering deals. Much of the marine business is being rolled to Travelers. [redacted]'s office has a significant book with Atlantic Mutual. Hartford in Ohio has a strong relationship with Cleveland only, which is where most of Atlantic's business is.

We need to make sure that we have plans in place to move this business if the company's rating worsens, either to one national carrier or handle it on regional basis. We don't want to create a self-fulfilling prophesy with Atlantic, but need to be prudent with our clients' interests. Carriers are trying to cherry pick the business, which defeats the purpose of moving it. Travelers is cherry picking, re-underwriting and increasing prices. Chubb is considering taking the entire Southwest region Atlantic Mutual business, but we have just opened discussions.

Tom Hite will get back to the group with a better understanding of our direction.

Regional Updates

[redacted] – ***Mountain West***

Salt Lake City has been unable to get a broker appointment with Cincinnati Insurance. [redacted] said that she usually goes on Cincinnati's President's Club trip and will try to make contact with the right person.

We also need help getting appointments with [redacted]. [redacted] offered to help to get an introduction as they are one of five small business partners in her region. Salt Lake City has been talking with them, but has not been able to get appointment.

Salt Lake City has a small business unit in the office, dealing with Hartford, Travelers and St. Paul. Half of our business goes to 3-5 carriers, and about 20% is in service centers. The office also has a personal lines and a benefits unit.

We recently lost an opportunity on captives to [redacted] because we did not have access to a contractor captive. Stu has spoken with Mark Green on this. We would like to have access to all of the [redacted] captives. Seven of the 39 accounts are with Acordia, but we still can't get an appointment for Salt Lake City.

[redacted] - ***Midwest***

We have had success with [redacted] in Pittsburgh and other offices. We have also had discussions with [redacted], who's working on an Acordia exclusive captive. There is about a 98% retention rate when we put business in a captive because the client feels like they have ownership. For [redacted]'s captive, you don't need a BOR letter because you're only fronting the paper.

The Pittsburgh office has called Travelers about the new national flood deal and they have not been responsive. This is a chronic problem with Travelers for flood business. We called the people that took over for [redacted] and got information from them in 5-10 minutes. **Tom will talk with Travelers about responsiveness issues.** [redacted] is interested in the business. The company that bought [redacted] is the largest title company in the US, which allows them to make sales calls on clients with homeowner's policies. They will also make those calls on behalf of a broker and the broker will get the commission. Tom Hite cautioned that we don't want to work extensively with these people until they get their paper back in shape.

We have an issue with [redacted] because the [redacted] underwriters required something that [redacted] wouldn't acknowledge. Seattle and the Mid-Atlantic region have also had problems with them. The Bank doesn't understand the business and wants to cancel insurance when the client is late with payments.

[redacted] is being sold by Travelers, which is an issue in Pittsburg. [redacted] also owns [redacted], a large surety company and a big market for us. We don't yet know who the buyer for Gulf insurance will be or what will happen with [redacted]. Much of the business we have with [redacted] is hard to place.

[redacted] is unfortunately one of our top markets in Pennsylvania. They are a good partner but we don't get overrides. [redacted] has indicated that they will talk with us on a regional basis, but not on national basis. At a recent meeting of [redacted] it was emphasized that the company will not offer overrides.

[redacted] Small Business Conference Call

Tom Hite mentioned that for every dollar in business that we do with [redacted], we're leaving $.70 on the table in commissions.

[redacted] defines small business as $10 million in revenue or less, which isn't the same way we think of it.

Those on the call felt it was very helpful on the global energy business because we found out that [redacted] minimums are much lower than we're used to dealing with in West Virginia. [redacted] worked with [redacted] recently with success on two accounts.

[redacted] will send the materials from the [redacted] conference call to the P&C Group.

Tom Hite would like to use the conference call platform more often to get updates from our carrier partners and have presentations from other carriers about their products.

Cross Sell

So far we have concentrated on cross selling our products to the Bank, but at some point Wells Fargo will want access to our clients. Sharing relationships is not a natural activity in this business, but it will be an expectation with Wells Fargo. We need to work more on managing the expectations of the Bank.

The cross-sell process works fairly well when the Bank refers customers to us, but doesn't work well when we refer a customer to the Bank. There's a lot of frustration on our part in getting to the right Bank person. Once we get to the right people, there are hard feelings about not getting credit for what we referred to the Bank. The problem is that the credit must be paid to an AU number instead of to the producer – all incentives are soft dollars, not hard dollars. In order to pay a producer it has to be expensed. We have the same problem with the compensation of bankers because there are legal implications for paying incentives to bankers for referrals. Ultimately we're not getting our producers to refer customers because of the compensation issue. **Tom Hite will talk with [redacted] to learn more about how the compensation comes to Acordia. The group should email Tom with any specific cross-sell issues that you have.**

Tom will help if we're not getting the support we need. Remember that there are nine people in San Francisco that are dedicated to the cross sell effort and who can help us.

St. Paul

[redacted] – President, Middle Market & Large Accounts
[redacted] – President, Small Commercial
[redacted] – Distribution Director, Small Commercial Underwriting

[redacted] – Middle Market

St. Paul's commercial strategy is to:

- Reposition St. Paul as a one-stop source for small and middle market accounts
- Build a profile for future success – be a key trading party
- Develop a breadth of products & capabilities
- Demonstrate a can-do attitude

St. Paul's strengths include its expertise in financial and professional services, technology, public sector, and surety. The company has a national reputation in construction. For surety St. Paul works with [redacted]. These are all vertically integrated and customer-specific solutions. There is limited distribution for products.

Small commercial is a horizontal organization, touching a wide group of customers.

The company is oriented around nine regions with P&L for middle market business. The regions are responsible for generating a "one St. Paul" attitude.

St. Paul is ranked #1 in the public sector; #1 or #2 in surety, technology and construction; #3 in oil and gas; and #5 in financial institutions. The small commercial and middle market sectors have served as incubators for this type of specialty business.

Offices need an appointment to access St. Paul for oil and gas. If a broker is appointed to St. Paul, that gives them access to all areas of the business. However, distribution is limited in certain product lines.

Acordia's September YTD results (excluding health care) are $88.6 million, representing a 13.1% growth. Acordia is growing slower than St. Paul is growing.

St. Paul's goal is to be the key trading partner for middle and small market because of its breadth of products, underwriting competence, customer focus, management accessibility, claims expertise, ability to meet customer needs, and execution. The company has been working on a model for about four years and is the strongest in execution. St. Paul's competitive advantage is that it has no silos, and offers one-stop shopping. Products grow with customers throughout life cycle. The advantage in the marketplace is that groups talk with each other.

Commercial middle market is the largest business unit at St. Paul and is expected to finish at $1.8 billion for this year. This group is comprised of middle market, large casualty, inland marine and national programs.

- St. Paul defines middle market as companies with 50 to 1,000 employees, with premiums in excess of $100,000.
- In the large casualty market, St. Paul's expertise is in large deductibles including traditional paid deductibles and incurred deductibles, self-insured retentions for excess WC, GL, and Auto. The typical loss pick is between $300,000 and $5 million. Target markets include manufacturing, service, retail and wholesale. St. Paul provides claim service but [redacted] claim service is outsourced.

- Inland marine offers dedicated expertise, with 26 offices around the country. Communications and construction are two major coverage areas. Other miscellaneous coverages include fine arts, jewelers, furriers, monoline property, exhibitions, transit, niches and programs, and floaters.
- The company has dedicated expertise in writing national programs, which are programs over $5 million, with three to five years credible history, a significant market share, geographic spread, line of business mix, and focus on risk control and claim specialization. St. Paul will be shutting down the Rural Electric Association (REA) but has many other open programs available. The company generally looks at 30 programs/month, but is serious about two.

Total middle market business is $32.6 million (24.1% growth), which is less than the Kemper growth, and is strong in the Mid-Atlantic, Central States and upper Midwest.

St. Paul would like to do more with our Cleveland, Southern California, Virginia, New Jersey, Atlanta, Houston, Boston, Phoenix, Salt Lake City, Colorado Springs, and Philadelphia offices. The group asked that they add Tennessee and North Carolina.

St. Paul has no plans to pull out of the contract surety business, however it will do less financial guarantees. All other specialties are going well.

[redacted] – Small Commercial

[redacted] is a former [redacted] employee who came to St. Paul after [redacted] joined St. Paul. The business has been reinvented over the last 18 months, with a 75% turnover of the management team. St. Paul has rapidly grown business but has also shed business to get more focus.

The Small Commercial market is close to $50 billion, $22 billion of which is home-based businesses. This platform is divided by people, distribution, products, service center, technology. We need to bring the product into offices, and make it quick, easy and low-cost. St. Paul has built up its field sales staff to nine regions, with state-specific account executives. It is working to educate distributors as to the company's capabilities. Distribution is handled through key trading partners. There are many areas where St. Paul doesn't have presence with Acordia and they will work to cultivate the relationship.

St. Paul has service centers in Atlanta and Colorado Springs. Both centers have high customer retention and satisfaction, currently charging 1% or 2%. The staff at the service centers is very experienced and progressive, and has been very responsive to Acordia concerns.

St Paul built its own system to allow quoting on a non-composite basis. No one has ability to look at higher exposure, higher capacity accounts and quote them in the office. This has eliminated 6-8 steps in the quoting process. The SPCXpress platform allows seamless submissions of Mainstreet and Advantage business. This agency management system integration allows quoting and policy download, automated extraction and book roll analysis tools. In two months St. Paul tripled the number of people using the platform. The unique feature of the platform is that it incorporates D&B and MVR and gets information on customers for Acordia, putting the best customer in the right price track to begin with.

SPCQuote submissions have gone from 7,000 to 25,000 from January to July 2003. The close ratio is about 15% on Advantage.

The small commercial total is $10.3 million (10% growth) as of September 2003.

Next steps for this area are to build a formalized 2004 business plan that ensures mutual growth and looks at premium and mix of business goals, compensation and resource allocation. St. Paul wants the agent or broker to do more of the work and help with the issuance of the policy, thus eliminating some of the expense. The company is pulling out of a lot of program business, as are other carriers. [redacted] is the national salesperson for this group.

St. Paul feels that national agreements have not worked in the past, but would be willing to look at regional compensation agreements and facilitate discussions at the regional level. Tom Hite said that Acordia feels that underwriting partners need to get past local relationships to move on to regional thinking. We need to take advantage of our relationship on both sides. Acordia's Mid-Atlantic region is successful because plans are developed based on entire region, not just for the state or local office. St. Paul seems to be more open to establishing synergy to work on regional basis. St. Paul likes Acordia because we are decentralized and operate locally. The Issue for Acordia is that we don't get credit for being Acordia. St. Paul has premium guidelines to get Top Brass status, then that will spread within the region. We have Top Brass offices, and maybe need to look at other offices that would potentially qualify. If we can get more Acordia operations in that category would help get more resources nationally. If we are going to plan more on regional basis, it would help to grow the business if we didn't have to adhere to strict volume guidelines by state.

St. Paul's regional executives can do what they need to do to grow the business, but there has to be potential. If St. Paul is going to give Acordia something, it needs to have some expectations and willing to sit down and explore opportunities. Acordia needs to have conversations on a regional basis with St. Paul. St. Paul is interested in depth and is trying to find offices where we have good production people but are under-penetrated. **The group should let [redacted] and [redacted] know where these offices are.**

St. Paul has been talking with [redacted] at Wells Fargo Insurance regarding direct customer business.

Alternative Risk Transfer – [redacted]

[redacted] has been working for the past six to eight weeks to set up a group captive facility. The most critical aspect is that we need to have 10 accounts to put into the captive by January 1, 2004.

This will be a rent-a-captive facility available nationwide for Acordia-produced business only. Reinsurance is currently being solidified and [redacted] is one of the candidates. [redacted] has also expressed an interest.

- Covers three lines: AL, GL, and WC. WC will be statutory; GL and Auto will go to $1 million. Will have insurance loss funding. There will be aggregate stop loss, probably 80%. We can do individual lines of business, but need a business reason.
- Need to make sure insured has good feeling for what their losses might be.
- Pure loss ratio needs to be in 50-60% or better. If client's loss ratio is under 60%, can save your client 15%.
- Minimum premium is $250,000, and the maximum is $2 million. If the account is larger than that, we can look at a stand-alone group or single-parent captive.
- Domiciled in the Cayman Islands (less busy than Bermuda)
- Will be easier to get in and out of, but clients will get 90% of the benefits of a member-owned captive
- $350k each loss, but the client doesn't have to be large enough to take that size loss.
- Will have a third-party claim administrator, but that has not been defined yet.
- Commissions will be net. We can gross commissions up to premium and flow it through the captive. This is all Acordia business so we need handle commissions in a standardized way. We will not lose commissions on this captive and we will have more control.
- This is protected cell captive, but there will be a sharing mechanism in the program and the share is not a large number. (Sharing gets you tax benefits and economies of scale in purchasing reinsurance.)
- This is not an owned facility so we will not need a capital infusion.
- Critical mass will be $25 or $30 million in premium flowing through the captive. If we exceed that, we can spin off another captive.

Excluded classes probably already have their own facilities. We should have a RRG set up soon for nursing home facilities. This will be in operation after November 1, 2003, accepting business as of November 15 for GL and professional. This facility will have reinsurance capacity from an A rated carrier. [redacted] will send information out as soon as we have it.

[redacted] thinks that group captive will be of much more value to Acordia in the long term than the nursing home RRG, however we need to make sure that we're supporting both, or we won't get either.

We can move business from one captive into this captive, but it might be difficult because we have to leave quite a bit of capital on the table until the next adjustment.

[redacted] feels that if a client has a 50% loss ratio now and can maintain that ratio, the client will save a lot by going into this captive. Ultimately, though, the decision will be the client's. We have enough accounts that are running at 45% loss ratio with good management that could fit well into this captive.

If a client enters the captive January 1, 2004, and has no losses, the first adjustment is generally 36 months from the inception date. We can describe this to the client like we do a retro. After that time, we will try to do a loss portfolio transfer and clean the books up 100%.

[redacted] will follow up next week with more marketing material and information on structure. He asked the group to start thinking of accounts that would fit.

The group said that many offices have problems finding markets for nursing homes, so if we have facility for that, we could bring in a lot of business.

Region Updates (continued)

[redacted] & [redacted] – ***Mid-Atlantic***
Outside of energy, the largest source of revenue for the region is construction. For construction we primarily use [redacted], St. Paul, CNA, [redacted] and [redacted]. In some areas, we have been able to get companies to reduce minimums based on our volume, mainly for smaller contracting businesses. We would like to possibly come out with a branded product for construction in the region. A construction checklist has been developed, and [redacted] now wants to use. We are looking to develop a branded program with [redacted]. One of the big construction writers in the area is [redacted], which has been killing us on some of lower middle market business. Louisville talked with [redacted] and they said didn't want to do business with Acordia and went with [redacted]. Unless we do something to counter this, we will lose business to competitors.

The Energy program produces the largest revenue within the Mid-Atlantic. We plan to expand to the west and work with other regions. We can do oil and gas, mining, petroleum and utilities. If we find another region with some expertise, we can combine to offer a branded program. There is concern in the region with the amount of business we do with [redacted] because they own the program. We run the risk of losing the business if they decide they want to take over the program.

The region has issues with several companies:

- [redacted] is putting together a new construction group. [redacted] contacted [redacted] and they said that they were looking for very large retentions. [redacted] will get information to the group about [redacted] and [redacted] for their construction programs. Tom Hite will contact [redacted] and get more information about their construction program. In California we can't access [redacted] directly, but go to them through [redacted].
- We are using [redacted] for monoline comp., but have had trouble getting into their program.
- Travelers doesn't like at least one segment for any business we give them. We don't use their service center for small commercial because it's not very good.

We now consolidate all claims at the Mid-Atlantic claim center, which is working extremely well. This helps with carriers because we can consolidate claims numbers for region. This works because all of the offices are on the same policy management system.

The region is realigning its personal lines structure, starting with West Virginia and beginning January 1, 2004. Personal lines services will now be run out of one office instead of 11. We will have an internal service center and call center for new business calls. We are starting the program on a state-by-state basis to see if it works. All of personal lines claims business either goes to the service center or back to the carrier. All calls for personal lines business automatically are transferred to the claims center. Staff changes are being handed through retirements and pulling people from other areas, with some additional profitability as a result. We are hiring personal lines producers, and they will only write business with carriers who have service centers. Producers will also specialize in certain areas and will be expected to cross-sell with our current clients.

We are trying to develop a program to insure all homes being built in the Greenbrier area in West Virginia. Many of these homes are second or third homes but homeowners have not been able to get insurance because they are in West Virginia. This is a tie-in with the Wells Fargo private client services group.

We have also borrowed a proposal form from the New York office for hiring clients. [redacted] **will share it with rest of group.**

The region has some producers who do some small business, but there are no dedicated producers for this. We define small business as those accounts generating less than $2,500 in commission revenue. If the service center can't place or write the business, we will say no to the business. We will try to look at lines of coverage that we will accommodate when the client refers back to us for additional coverage, but will limit lines. [redacted] may be an alternative when we don't want to take on the additional lines.

[redacted] mentioned that her area has a form letter that is send to clients to let them know that we're not going to handle certain lines of business.

The comment was made that we don't make very good acquisitions from a marketing perspective. We find ourselves buying a business then having to manage lots of small accounts. We should also look at the quality of the producers when we acquire an agency. Overlooking this aspect is causing some depreciation of acquisitions. Often we assume that an acquisition's personal lines are just like ours, but that's not always the case. We get called in on damage control end, but not on the front end.

***East* – [redacted]**
The region had a contract with [redacted] but lost it. They are in one of our competitors, [redacted] (special deal), and we would like to find way to access them.

The region is very big with CNA. In Florida we have combined business with our top carriers, so volumes combined will have $25 to $26 million in premiums with CNA. We get a 10% commission on WC, but CNA will be reducing that to about 8%, causing a 20% to 30% reduction in revenue. We are still working with the branch manager on these issues. This is also a very profitable business for CNA, so we hope that will get us some influence. We might have to move the business, but are trying to avoid it. The Atlanta office is seeing more business with CNA.

Hartford, Travelers and [redacted] are other top carriers for Florida. [redacted] is a ZEPP agent for [redacted] in Florida, but [redacted] doesn't want to write other offices.

Royal is just about finished, but it was a relatively seamless transition. All of the property coverages had Royal on the top layer. About a quarter of the Royal book will go to Travelers, but Travelers is cherry-picking the business. We may use some of the Royal business to make commitments to other carriers.

Hartford is working more with the Atlanta office.

The region is making more use of the corporate resources ([redacted] and [redacted]). [redacted] made a recent conference call presentation to a customer. Tom Hite asked the group to be mindful that [redacted] is only one person and we need to give him enough notice to talk with clients, whenever possible. He is reluctant to say no, but we need to be realistic about what we ask him to do.

We are not moving any business right now to the Risk Finance Group because we have a good relationship with a wholesaler. We are starting to use the group on new business.

The region is still trying to finalize a captive for contractors and is in the final stages of putting that together.

Producers often ask when the go out on large customer calls whether we can handle a certain type of business. It has been difficult to maintain a database of responses to requests for this information. **Tom Hite will put together a template to be used when producers request information.**

We need to be kept informed on the progress of the policy management system. Small commercial and personal lines will be heavily impacted by this process. We don't want to hire people to handle the business then have them be made unnecessary because of a new system.

Mountain West – [redacted]

The economy has been rocky for the last few years, but the region is still on budget. The Seattle office has a new MD setting goals.

We are trying to reduce the number of markets and E&S placements that we're working with. Profitable markets are St. Paul, Chubb and Hartford. Accessing markets for construction and habitational is virtually impossible. Hartford has done some extraordinary favors for us. CNA is interested in some things but we are not sure what they want. St. Paul hasn't visited in a long time although we have a lot of business with them.

We have developed a quoting center within the community accounts business.

Our Auto loss ratio is under 50% but we can't get anyone to look at this business. We have lots of marine business but they are fish boats, so are having trouble getting markets to write the business. Much of the office's business is E&S focused, which means no commission to us. It's hard to do business on a fee basis. There is no WC in Seattle because it is a state-run system. We are finding it very difficult to write new business.

The Benefits department in Seattle is very strong. We have hired some people with expertise in WC and D&O. The office also has a new cross-sell person. Would like to leverage some of our expertise with other offices.

We are not asking carries for special privileges, but are just asking for them to acknowledge the volume regionally. Many carriers will not let us aggregate office volume. [redacted] suggested that [redacted] keep asking.

The majority of the business is where it's at for a reason. There is $42 million in wholesale business in the Seattle office.

Southwest – [redacted]

The biggest issue in the region is the new governor. The WC cleanup bill is a huge issue because it requires small businesses to buy insurance for their employees. We don't know yet what is going to happen with legislation, which doesn't address the issue of trial attorneys.

The California State Fund gone to a non-rated status at the fund's own request. There are no other players in the market and multi-state companies don't want to touch the business. If you have a California risk, you must first go to three or four other companies and prove that you can't place the business elsewhere. We expect rates to go up at least 4%.

We are seeing some rate softening in property and GL.

[redacted] is the new director in the San Francisco office, and previously ran the [redacted] office in San Jose. We have added three new producers – in San Francisco in the Bank (real estate), in San Jose, and in the agricultural belt in Palo Alto. [redacted] is the current star in Irvine. We have a producer in the San Fernando Valley and another in San Francisco that are going gangbusters, with one in Phoenix that's also doing well.

[redacted] is now managing the wholesale WC division and will also be managing the program business.

We have an aviation expert, [redacted], who has a program with Fireman's Fund. Another nationwide program is the golf program managed by [redacted] out of the Rancho Cordova office, also with Fireman's Fund. The car wash program is with [redacted] right now, and [redacted] is contact.

Cross-sell is going really well. Hartford has stepped up to the plate, and we have written $2 million in business with them. Regionally we have a deal with Chubb in the Southwest and Mountain West to increase production.

The region has too much business in wholesale markets. As a result, we have designated the Grass Valley office to handle small business accounts.

The region needs medical malpractice and ag markets. We need a national agreement for [redacted] (they want to appoint an individual in each office and then charge us for that).

We have an exclusive program with [redacted] for under $200,000 in premium. For accounts above that, they have appointed a number of southern California brokers, and Acordia is not among them. [redacted] appointed brokers that they previously worked with at Kemper. There will be more capacity for Acordia there eventually.

Houston – [redacted]
The Houston office has a lot of business with [redacted], some with Travelers and CNA. We have a lot with E&S markets. The habitational book is more complicated because it is coastal property. We would like to see another market like [redacted] for this business. We are in the process of adjusting the Royal business, now with [redacted], and currently have $3 or $4 million with Royal.

[redacted] is a big market for Texas WC coverage. Texas is one of the few states where WC laws have been effective. The agency is the largest provider of WC coverage in the area.

[redacted] client services hired a lot of the Chubb staff, but would like feedback on how that's working. Their pricing is not very realistic. They are not sure how Chubb people are going to handle the [redacted] claims forms.

Small business is a success. We have realized that we can't be everything for everyone. The [redacted] Program with [redacted] out of Galveston has a sales force to handle small business. They have an exclusive relationship to contact us. Of the small business accounts, we have about half in service centers. We sold off some of this business a few years ago and decided to get out of small business. Most is with Hartford and Travelers, and we just started with St. Paul.

Midwest – [redacted]
The St. Paul relationship in Indiana is flat and in the last year and a half has gotten worse.

The small business program has proven to be more competitive than a year ago.

Atlantic Mutual has no contract in Indiana so this is not an issue. The two accounts in Michigan have been moved.

We don't have a personal lines contract with Hartford, but they are reducing commissions. They say that we will make it up on the back end with profit sharing. Tom Hite mentioned that Hartford has been the most responsive of all carriers in relationship management.

School business continues to be a problem in Indiana. We have a $7 to $8 million book that we need to find home for. [redacted] and Hartford have programs for private schools.

The question was raised whether Acordia Corporate intends to issue an opinion letter on the guarantee fund situation. Clients want to know if it's their money or if it's going to become an asset of the fund. **Tom Hite will look into that.**

New business has been off significantly. We are seeing some good opportunities go because [redacted] has taken people out of the [redacted] office – 31 out of the Detroit office went to [redacted], and 8 out of the Grand Rapids office. The top five or six managers from [redacted] went to [redacted]. This has given us a window. When [redacted] gets a producer with a non-compete agreement, they arrange for another producer to write the business for that producer.

The region has committed to grow with [redacted] and it's been nearly impossible. They have moved their underwriting to two centers – Downers Grove, Illinois, and El Dorado, Georgia. Their underwriting is not up to speed – they want to write the package, but can't compare to other markets.

Tina asked whether it would be possible to consult with this group before deals are cut so that the group can provide input on the relationships first. We're being given deals that we can't sell. Chubb is still upset because we made promises that we couldn't deliver on.

Midwest – [redacted]
Chubb is the go-to market in the Columbus office and in the five offices in Ohio. Cincinnati is the largest producer for Chubb, with an excess of $15 million with Chubb, but is trying to cut that back. The average commission with Chubb is 11%. We have done very well this year with them. They stepped up to the plate on the umbrella for an account.

Last year we were locked in with Travelers, but had a bad loss on one of the habitational accounts. This year Travelers is not allowing habitational business.

CNA has also been a go-to market for this area. We took an account away from [redacted] and CNA was the only market that would take it. However, we are worried about all of the negative reports in the news for CNA. They view Acordia in Ohio as a good partner.

We have been extremely successful with Cincinatti, doing $5 or $6 million of business.

The Cleveland office is doing extremely well. We wouldn't be able to be a VIP office with Hartford if it weren't for them.

It is frustrating to do business with [redacted], but we are doing a lot of business with them.

So far St. Paul is performing very well although we had a better relationship with Kemper's Greatland. The Cincinnati office is a Top Brass broker now and we hope to have that in Columbus in 2004.

Columbus is a [redacted] ZAPP office, but we aren't getting any attention from them.

We have the same problems with [redacted] in spite of attempts to do business with them.

We have one person in the Mid-Atlantic with Acordia Employers Services who is in Columbus because of the acquisition in Columbus. He has been helping with some cross-sell.

Does anyone pay attention to whether we are approved TPA with our carriers? [redacted] heads up Acordia Employers Service (TPA). We don't know how many TPAs there are or in what states they operate.

[redacted] has come out with a contingency program that is very different from the one we've had before, using nine-month, not annualized, figures.

CNA Presentation – [redacted] & [redacted]

[redacted] – Senior VP, US Field Operations
[redacted] – SVP, Distribution, P&C Operations

[redacted] has been with CNA for two years and runs field operations. Prior to that she was chief underwriting officer and head of marketing for St. Paul. Prior to that she was in field operations for Chubb, Fireman's Fund and [redacted]. CNA today has a lot of diversity from long-term CNA people and others from other companies.

[redacted] has been with CNA for a year. He is new to Chicago, previously with Fireman's Fund in San Francisco. He is head of distribution for P&C, which involves agency commissions and compensation. He is responsible for national broker compensation and contracts, cross sell and business communications. P&C includes standard lines, specialty lines and global operations. Global is one of the lesser-known features, but is now at over $1 billion of business.

In June 2003 CNA announced an $380 million loss due to some high losses and some reinsurance recoverables. CNA's Chairman was tired of finding "legacy" issues, and announced that he was bringing in an outside audit firm to review claims practices and reserves and find any remaining legacy issues. A.M. Best said that it has no issues around company leadership or book profile, but had problems with old issues. Moody and S&P put CNA on a negative watch because of these old issues. Fitch took CNA from A to A-. Studies were completed by the end of the third quarter. As a result of the studies, CNA will take a third quarter hit and the owners agreed that it's the right thing to do. CNA has an internal and external capital plan. The Chairman will be meeting with AM Best, S&P, Moody and Fitch, and will make an announcement on October 29. The message is that the company is strong, has money behind it and will move forward.

Reinsurance recoverables are an industry issue, not just CNA issue. [redacted] just took a large charge for this. [redacted] took a charge and just announced that they want to bring in outsiders to make a reserve study. Royal will take a hit. Safeco took a hit on WC lately. Hartford took $2.6 billion reserve charge. Chubb took a $8 million hit. Travelers took $2.6 million, and [redacted] took $2.8 billion.

New business is up 31% over the prior year. Renewal business is up 7% over the prior year. We are slightly off in MOAC and small business. Altogether, the company is up 13% over the prior year.

The Access CNA Guide online is being updated and will be available to Acordia over next 30 days.

The largest area of growth opportunity for CNA is the small commercial portfolio. The focus in 2004 is on program business. We have a handful of these because of prior relationships and have put together a team to bring together the program business. If Acordia has a program, you might want to talk with CNA. Some program buyers are looking for price only, so CNA will offer a basic product for some programs, and will have various levels of additional coverage depending on the needs of the customer.

CNA has just competed or is finishing rate reviews of the top 30-50 classes that branches have identified as most in demand.

Middle market is a huge operation. CNA is building a strategy for high-end small business and low-end middle market, which will launch around January 1, 2004. In the middle market, CNA is a big player in manufacturing and wholesalers, and likes real estate, services, technology, up-market construction, retail (broad appetite) and property. The company looked at competitors' products and set up gold standards for CNA products. By the middle of November Acordia will receive information about products. Going forward you can choose products for clients based on extensions needed in industry classes. For manufacturing there will be special endorsements.

CNA's Sweet spot for risk management property is $750,000 to $5 million.

Supported and unsupported umbrella is a big event for CNA and we are now asking for that business. Additional capacity should be available in January and the company is working to get a treaty in place.

CNA has done little in the past with agency captives and is again open to looking at them.

Expense management is helping CNA to do all these things. The company took a $250 million expense reduction and eliminated a lot of redundancy in offices. This was also intended to get offices closer to the point of sale. Five regions were set up to support the branch office structure. The company took redundancy out of the home office and asked field offices to do the same.

CNA now has 50 field sales specialists with authority to do deals for Acordia, including D&O field underwriters and technology specialists.

Acordia is a valued business partner. Growth in past experience from independent agents has been phenomenal.

P&C distribution initiatives include cross-sell, diverse market segments, incentive agreements, PACER, global and specialty capabilities.

Umbrella is one of the key focus areas and has been big success, with almost double penetration. To date CNA has cross-sold an additional $200 million in new business including international, surety and construction, professional commercial (private D&O and E&O) and larger monoline accounts. Each branch level has a cross sell goal for 2003 to increase business by 15%, and to date about 20 of 34 branches are on track. In 2004 we will add other focus areas like boiler and machinery and ocean cargo.

[redacted] mentioned that the Acordia Florida offices have a good relationship with CNA, but that cross sell is very difficult at times. Florida reviews accounts with the underwriter in advance and is finding that monoline WC accounts are not being renewed even though they are profitable. [redacted] said that CNA is major WC player in the industry and is trying to balance its portfolio. CNA is currently writing $1 billion in WC, and $30 million is monoline. In Florida CNA is asking offices to try to get other lines to round out the account. CNA will be offering less commission on monoline accounts in 2004. However, it should not be a question of renewing or not renewing. Acordia does not want to move good business just because we can't find another piece of business to place with CNA. Sometimes the client doesn't see the rationale for writing a policy just to keep the WC piece.

The Cincinnati and Columbus, Ohio offices have had some recent successes with CNA. However, we have not been successful on the technology side, in part due to coverage issues. Jan Frank said there may not be enough resources dedicated to that in the area and CNA may not have the coverages.

The CNA value proposition for the customer for cross sell is that CNA offers a wide product portfolio and will be able to customize policies and portfolios for the client. Clients are more likely to renew when they have multiple coverages with a carrier. There are also additional revenue opportunities for brokers with cross-sell. CNA has been trying to provide incentives to its employees to cross sell, even if through a referral to other areas in the company.

Other carriers are asking for the cross-sell business, but not all are refusing to renew business because we can't write other lines with CNA.

Diverse market segments are also providing growth opportunities. CNA has not done as good a job as some of its competitors in tapping the minority small business market and is looking for ways to grow CNA is establishing a basic policy for customers for whom price is the major consideration, and is asking local branches to help source new market segments. Initial findings are that product is less important than price or service to differentiate. Because Acordia is located mainly in suburban secondary markets, this diversification of market by CNA should fit well with Acordia, and could possibly work with Wells Fargo because diversity is important to the Bank.

CNA has a $200 million expansion initiative with a 48-state strategy for 2004, and a separate strategy for California and Florida because of losses in those states. CNA found that its incentive agreements are in some cases double the competition. Changes have been made for 2004 that reduce some HPA (High Performing Agency) and PA (Preferred Agency) factors to be more in line with the competition. While many competitors offer large payouts, they have "trap doors" that reduce the payout if book of business is reduced; CNA will not add those types of penalties. CNA has allowed agents and partners to add special emphasis clauses in small commercial (an agency with 75 policies with CNA and has increase in 10%, can add 3% incentive), cargo (additional earnings for additional business), and risk management property (now called large property). To qualify for HPA, an office must generate at least $2 million in enterprise premium, and have a three-year average loss ratio of 73%. You will get more information on this and will be informed whether your office qualifies for HPA or PA. CNA has offered some of the larger regional broker partners to provide a national or regional incentive where the HPA/PA incentive doesn't work. Acordia could also have better incentives by aggregating business by region. CNA has 33 offices that do business with Acordia – 11 of our offices are HPA, the rest are PA.

Ohio already has one HPA agreement, but this is only a branch for CNA. The Northeast Acordia deal is in addition to local incentives. CNA is willing to structure regional roll-ups based on Acordia needs, but we have to keep in mind that any office that has problems will bring down the total incentive. The group also discussed having a combination contract for Acordia so that we don't have to go through new licensing when we add office.

[redacted] commented that we generally have to approach the CNA branch to find out the markets the branch wants to be in; CNA people are not coming to Acordia to introduce themselves. [redacted] will ask that the regional field sales staff make appointments with the local Acordia offices. CNA has turned over about 70% of field sales management, and now is a good time to reestablish relationships.

In 2004 CNA will add PACER groups for small business and technology committee. They will continue the construction and surety, risk management, and middle market committees. If you want to get involved in any of these, please contact CNA.

Global business for CNA represents about $1 billion. The company has operations in Hawaii and Canada and sees growth in the EU. A call center has been set up in the UK, and PACER has been launched in Europe. Marine cargo, professional liability and travel accident programs work well in Europe. This area will receive more emphasis in 2004. Specialty business is at about $3 billion and has growth significantly in 2002 and 2003; more growth is expected in 2004. Open programs include: financial institutions, insurance companies, investment advisors, life agents, HealthPro, hospitals, advanced medical technology, physicians groups over 20 physicians, lawyer groups over than 30 attorneys, private companies and public companies D&O, E&O and EPL coverage, and transaction facilitation. There are different contacts to access the HealthPro program, and offices need a contract for some of the specialty lines. [redacted] will get contacts to the group.

Acordia will probably end the year at $93 or $94 million in total P&C with CNA, representing about a 20% increase in new business this year. Commission rates overall seems to be a little higher than elsewhere. These are overall good results and CNA would like to write more business with Acordia, especially in specialty lines. Most of the current business with Acordia is in standard lines.

Acordia would like to do residential construction. CNA has lost $1 billion in construction defects claims in 12 states, with 70% of claim dollars being legal expense. As a result, in the last few weeks CNA issued a notice that will put residential exclusions on contractors with residential exposure. Will not be renewing those policies. This is a very serious issue for CNA. If the risk is over $250 million, CNA can work with us to possibly change deductibles. CNA is the largest national carrier that continues to write sub-contractors. The new head of construction is [redacted] (coming from St. Paul). The burden is on Acordia to make sure that contractors understand that if they decide to do residential business they don't have coverage.

Acordia has grown a lot with CNA, mainly due to branch people who are willing to work with us. However, we have had various "emergency" conference calls to announce new restrictions and changes. In the last year there have been a lot of changes and Acordia is wondering when the other shoe is going to drop. CNA was growing very well in WC in Florida but exceeded it's capacity there.

The group felt that Acordia has a good relationship with CNA, but except for Florida, we really don't have much business. Every other location is trending backwards. At the Mid-Atlantic marketing meeting, the issue of the amount of declinations we've been receiving from CNA, mostly on new business, was raised. We need to better understand what CNA wants. [redacted] has made the commitment that branch managers will contact the committee members to help get things back on track. Will make sure that CNA gives Acordia the necessary resources to be successful.

General Discussion

There have been several emails circulating about Legion. There seems to be a need for help in talking to customers about Legion. Customers want to know if, when, how, they are going to get their money back.

[redacted] received a voice mail message from the St. Paul regional contact. St. Paul has a list of currently contracted offices asking whether they need to be included in other contracts. This is a result of our meetings yesterday with St. Paul.

We value our entrepreneurial mind-set, but sometimes we don't get credit with the carriers for being Acordia. This should be an ongoing conversation with carriers. Communication with the field is important when negotiating national deals. It is beneficial when local or regional deals are negotiated that we get feedback on those deals. In some cases we have been able to identify variations in local deals with the same carrier. Very often the carriers themselves don't know what deals they are cutting. When the carrier knows more about deals than we do, they have the power. We need to know what deals we have going. Deals are still regional considerations, but Tom is here to be a resource for offices if we're not getting the deals we need. We now have contacts at the corporate level with carriers that we can use. National deals should be on top of local deals.

Tom Hite and [redacted] will try to aggregate information about local deals. Need to know what side agreements (overrides) are in place. Need to know what the standard "top brass" agreement is. Send information to [redacted] as it comes in. We will follow up with regions that have not responded.

One critical need is for safety nets for our contingency agreements. Fireman's Fund killed us because we went slightly over the loss ratio and got nothing even though we are profitable. The problem is that our volume is growing, and we place business with one carrier because of an incentive, but then miss the incentive award because we miss one target. Many carriers don't understand Acordia's budget process. As an example in the Mid-Atlantic, we were profitable with Travelers in small commercial, middle market, and construction. We made money and moved two large construction accounts. Growth in other two areas was beyond plan, but retention went below 50% in construction and as a result we didn't get any profit sharing. We assumed we would get money from the other two areas.

The group would like to do some contract analysis at a future meeting.

Tom Hite will set a date by the end of the month for the next meeting, to be held in February 2004.

Exhibit 15

[redacted]

Corporate Office
150 N. Michigan Avenue, Suite 4100
Chicago, Illinois 60601
[redacted]

MEMORANDUM

DATE	May 28, 2003
TO	All Managing Directors, Regional Managing Directors
FROM	Scott Isaacson
SUBJECT	Consolidation of Kemper Accounts
COPY	[redacted], [redacted]

I wanted to share with you a great opportunity that has been extended to us by The Travelers Small Business unit.

Based on the recent changes at Kemper, Travelers Select Accounts is willing to help us consolidate the business we have with Kemper as quickly as possible.

Kemper's current position is that it will honor outstanding new business quotes and renewal policies with effective dates of May 31, 2003 or earlier. Policies issued within that time frame will be subject to the National Indemnity cut-through agreement. Kemper will not accept any new business, nor will it renew any business after May 31, 2003. In those exceptional cases where quotes on accounts with effective dates after May 31 were released, Kemper will honor those commitments.

Kemper's mid-term cancellation policy will be:

1. Kemper will prorate all cancel and rewrites that are transitioned to St. Paul.
2. Kemper will short rate all other mid-term cancellations except for:
   - Small Business Group policies that have no National Indemnity cut-through agreement attached to them.
   - Policies that were referred to St. Paul for mid-term rewrite, and for which St. Paul was unable or unwilling to provide the required coverage. A copy of the declination letter from St. Paul must be provided for those cancellations to be calculated on a prorate basis.

It's not clear how many Small Business Division customers have the cut-through agreement, so you will need to look for the endorsement (sample attached).

In order to help facilitate the transfer, the Travelers Select team has offered to take a "SWAT team" approach. Travelers will come to your office and help you review your entire Kemper book of business. They are willing to write policies on a short-term basis in an effort to get your customers onto **AM Best A++** paper as quickly as possible (recall, Kemper now has a **C++ rating**.) To compensate you for the work involved in transferring this book, Travelers Select is offering the following override scale:

% of Premium Transferred to Select Accounts	Override Rate	Minimum Premium Required for Override
Less than 50%	0 %	—
51 to 60%	3 %	$100,000
61 to 65%	6 %	$100,000
66 to 75 %	8 %	$100,000
Over 75%	10 %	$100,000

To participate in this program you must contact your local Travelers Select office and arrange a time for them to review the book ***before*** any transfer can be made. You will agree which accounts to transfer, so there will be no question as to the overall available opportunity before you start the process. Once you have agreed upon the accounts to be transferred, you decide on the percentage of accounts to transfer to Travelers. For example, if you have $500,000 overall business with Kemper and Travelers Select identifies $450,000 as the opportunity, the available override will depend on the percentage of the $450,000 you transfer to Travelers Select.

You may also want to take this as an opportunity to review business you have with other carriers. If you have any business with other carriers you would like Travelers to consider, now is the time to do it! Your local Travelers Select contact is eager to help you consolidate your small business.

This deal is ***In addition*** to the National Compensation agreement we have with Travelers and any local agreements you may have in place. Workers' Compensation in California or New York may involve some caveats – please be sure to discuss this with your local Travelers Select contact.

I am excited about the opportunity Travelers Select Accounts has presented to us. **No other agencies are being offered these incentives at the premium levels we are being offered.** I recommend you start this process ***as soon as possible*** given the current circumstances surrounding Kemper. Travelers is also very interested in exploring additional opportunities for Commercial Accounts and other business outside of Select, so contact your appropriate Travelers representative.

Scott R. Isaacson
Senior Vice President
Chief Marketing Officer

SRI:[redacted]

Exhibit 16

Hartford **Millennium Agreement, January 1, 2000 – December 31, 2002**
(applies to Select Commercial and Personal Lines business)

As with Travelers, we have a multi-year agreement in Select (Small Commercial) and Personal Lines. However, Hartford gave us a three-year growth incentive (no override) advancing us $250,000 for Select and $80,000 for Personal Lines in 2000 against anticipated growth assumptions provided by Acordia offices at that time.

CNA **Preferred Market Agreement, January 1, 2000 – December 31, 2001**

Although CNA was unwilling to provide us with a straight override in late 1999, they did offer us a dual component agreement on a three-year basis in 2000. The dual components entailed 1) a growth plus loss ratio target combination and 2) a renewal rate growth persistency incentive. While we obtained nothing on the first component, the firming of the commercial lines pricing gave us an incentive payment of over $1 million for 2000 and 2001 combined. In October 2001 CNA advised that they wanted to continue the agreement but needed to renegotiate the incentive criteria. CNA has assigned at least three different national coordinators to the Acordia account and currently we are in negotiation with [redacted], CEO of the Central Region, on the 2002 terms. On June 25 a tentative agreement was presented, to be retroactive to January 1, 2002, and it is under negotiation.

St. Paul **January 1, 2002 – December 31, 2002**

We have just signed a national agreement with St. Paul on our Small Commercial business that included a .5% advance override on 2002 (using 2001 actual) plus an additional override of .5% on certain conditions plus a growth bonus based on written premium increase and policy count increase. The additional override and growth bonus would be payable in 2003.

Metropolitan Life **January 1, 2001 – December 31, 2002**

We renewed the 2001 agreement that paid us a growth incentive in 2002 for business in 2001. While we look forward to client business growth, we also are exploring the ability to obtain credit for Wells Fargo LTD and STD business currently placed *directly* with Met Life. This business could ultimately generate $250,000 in override commissions plus any direct commission as broker.

Other market initiatives under discussion:

- Kemper
- [redacted]
- Travelers Middle Market
- Hartford Middle Market

Exhibit 17

Acordia, Inc.
111 Monument Circle
Suite 3200
Indianapolis, IN 46204
[redacted]

Charles L. Ruoff, CPCU
Senior Vice President

Acordia

COPY

January 19, 2000

[redacted], SVP Commercial Insurance
Fireman's Fund
VIA FACSIMILE [redacted]

Dear [redacted]:

Further to our conversations during 1999, we realize that some of our market partners could not meet the stipulations of our Millennium Partnership program. We also understood that there was a strong mutual desire to enhance our relationship and grow the business together under some preferential arrangement. As you can appreciate, it is important to us that we not infringe upon the commitment made by our Millennium Partners but we would like to find a middle ground to include Fireman's Fund in our future plans.

In keeping with the above, we have designed the Preferred Market Program to achieve a better working partnership with a selection of important markets. The outline of the program is attached for your review and consideration.

The primary differences with our Millennium Partnership is as follows:

(1) national override and growth incentives can be at least partially adjustable on loss ratio results-this will need to be negotiated;
(2) access to business planning will involve Acordia regional management executives rather then the senior executives of the corporation;
(3) electronic interface will depend upon carrier resources available to us;
(4) quarterly monitoring rather then monthly;
(5) implementation through Acordia National Marketing Committee members.

I look forward to our next meeting when we can discuss further and would welcome any questions or comments you may have at this time. Please give me a call, as we would like to add Fireman's Fund to our Gold list of markets.

Sincerely,

Charles Ruoff
Charles L. Ruoff

CLR/[redacted]
Attachment

Exhibit 18

Acordia

Special Incentive Arrangement for 2003

Key Principles and Understandings:

As discussed in principle on 5/6/03, the goals and objectives of our 2003 special incentive arrangement between Acordia Northwest and Acordia Southwest and Chubb's Western Zone are as follows:

- **To achieve behavioral changes and attendant tactical plans, which through their joint execution, produce incremental business results that would have otherwise not occurred in the absence of this plan.**

Goals and Objectives:

- Individual incentive arrangements (consistent with the ***'Deal Framework'*** outlined below) will be discussed, agreed upon and implemented by each Chubb branch manager and their respective Acordia counterpart by 6/1/03.
- That Chubb **becomes Acordia's partner carrier of choice** in their efforts to maximize and capitalize on their cross-selling opportunities with **Wells Fargo Bank.**
- That each Acordia office become **a net positive contributor** to their respective Chubb branch's achievement of their 2003 business plan.
- It is the intent to drive all a special incentive pay-outs through the local Chubb office to their respective Acordia office(s) so as to generate maximum ownership of the development, implementation and pay-outs of these special incentive dollars by those creating the results. **It is the intent to drive special incentive pay-outs to the individual producers producing the results for Chubb's branch offices.**

"Deal Framework":

To achieve that end, Chubb agrees to pay Acordia the following:

- Each Acordia office will be afforded a contingency **"multiplier agreement"** whereby the percentage multiplier(s) will be established in direct relationship to the extent that each Acordia office exceeds the its respective Chubb branch's local growth plan (please see attachment "B", multiplier addendum sample). The suggested multiplier adjustments would be as follows:
    - Exceed Chubb's local branch office growth plan by :

5-9 points	**Multiplier of 5%*** - of any profits earned as agreed to in the Three-Tier Contingent Contract
10-19 points	**Multiplier of 10%*** - of any profits earned as agreed to in the Three-Tier Contingent Contract
20-29 points	**Multiplier of 20% *** - of any profits earned as agreed to in the Three-Tier Contingent Contract
30-39 points	**Multiplier of 30%*** - of any profits earned as agreed to in the Three-Tier Contingent Contract
40+ points	**Multiplier of 40%*** - of any profits earned as agreed to in the Three-Tier Contingent Contract

* Example- Acordia office ends 2003 with a total premium growth of 35% against its' local branch's growth plan of 20%. In this case the multiplier pay-out would be an additional 10% of the Three-Tier profit sharing pay-out; Acordia achieves growth of 75% against branch growth plan of 25%. In this case an additional 40% bonus would be paid on the Three-Tier profit sharing pay-out; etc.

** The amount of the multiplier pay-out earned will be calculated and paid out at the local branch level at the end of the calendar year.

- Chubb will pay a **<u>5% commission</u>** override on the production of new **<u>Forefront</u>** business.
  (New Acordia business attained via Broker of Record on existing Chubb business or business currently written by Chubb through a wholesale broker will not be eligible for the override payment.)

- Chubb will pay a **<u>5% commission override</u>** on the production of new **<u>Cargo/Inland Marine</u>** business.
  (New Acordia business attained via Broker of Record on existing Chubb business or business currently written by Chubb through a wholesale broker will not be eligible for the override payment.)

- Chubb will pay a **<u>5% commission override</u>** on "the production of new business to Acordia and Chubb developed directly from the **<u>Wells Fargo</u>** banking relationships.
  (New Acordia business attained via Broker of Record on existing Chubb business will not be eligible for the override payment.)

<u>Tactical Plan(s):</u>

- Each Chubb branch manager will meet with their respective Acordia office manager to develop a tactical plan designed to produce the incremental growth results that will result in a pay-out from this special incentive arrangement.

- Each Chubb branch manager will provide their respective Acordia office manager their top five most successful and/or sought after Sic codes with the objective of directing their local Acordia production team towards accounts that have a better chance of success with Chubb.

- Each Chubb branch manager and their EPP manager will develop a Forefront production plan designed to produce increased Forefront submission activity and maximize cross-selling opportunities within Chubb's existing Acordia book of business.

- In conjunction with [redacted], [redacted] and [redacted] will devise a **"Wells Fargo Production Plan"** framework to serve as a guide for each Chubb branch office and their respective Acordia office to follow in their effort to maximize joint production opportunities from this key business source.