

CR Business (Revolutions no no
takeover but no partnership
in rate increases)

Memorandum

To: Dean R. O'Hare

From: [REDACTED]

Date: September 13, 2000

Subject: AON Update

Dear Dean:

*- accept terms on the
Pirmann*

*- work on Enterprise
- O of, Graham will be
resolved*

I spoke to Mike O'Halleran. He was upbeat and extremely positive. His personal opinion was that Chubb was a real partner and that we enjoyed a great relationship, however recently there had been a stumble or two on the part of Aon.

In particular he had the following to say:

ARS (Aon Risk Services) – Our position on Y2K had an impact on the volume. He also said they had not supported us early on on our price increases, but things were improving and he was very pleased with their new business production. He believes that we are willing to walk away from business and that also contributes to lost business, but their field force is getting better at selling increases.

*To
over-ride*

SOLUTION: We need to let Pat know that we offered a significant financial incentive to get their written premium growth to 0%. They have improved to -8.1%. The ball is in their court. Also, we have become more active in soliciting new business and [REDACTED] is looking for 5% growth next year. We need to tell them we are open for business (e.g., their new business production) and are paying them extra for it.

[REDACTED] – They recognize they have a real problem. O'Halleran remembers that I told him early on that they would have a problem. He thanked me for the heads-up. They view [REDACTED] as a "bad guy". Pat will update you on their plans here. I did not bring up the law suit, but did say we were not getting cooperation on compliance and pricing issues, and that [REDACTED] was difficult to meet with.

SOLUTION: We need significant rate increases and a book that is compliant. Ian has to be out of day-to-day operations – he is not capable of getting it done. It does not look like [REDACTED] will earn a contingency check. We could reward Aon and not Ian by creating a financial incentive in lieu of a contingent

Retailer say price increases are possible.

Aon Enterprise – [REDACTED] understands our position. He said we all went into this in good faith and they have had trouble moving the business into enterprise from the branches. He believes the consortium companies do not have a broad enough appetite and the types of business they had hoped would fit really belong in a consolidator (i.e., E & S) market. They are highly frustrated with their own offices, but will give it one last chance and stick it out. The new proposal we offered they are not comfortable with because we are proposing a preferred market approach and they see enterprise as an-auction environment.

SOLUTION: They really appreciated our support. I told them we were happy to support Aon, but now is the time to walk away and if Aon is successful because we were in early that would be great – the essence of a true partnership. We should walk away now but tell them we will be open for business of this type through our branch system if it fits our appetite. I can negotiate this with O'Halleran. Lastly, we should tell Pat we are open to other futuristic approaches to the business.

Reinsurance – Aon Re is our reinsurance broker for our casualty treaty. [REDACTED] has asked all our reinsurers to take less ceding commission. O'Halleran has agreed to this. He would like a way to get a "rebate" (i.e., earn it back) somehow in the future. They would also like to quote CBER's program.

SOLUTION: We would be happy to pay Aon an override if all of their business units in the aggregate achieve the profit and growth targets we set for them. This is probably doable in 2001; it is not doable this year.

Affinity – This was brought up briefly. I sensed they knew we are mad about the United Way. [REDACTED] said he wanted us to know they want to do business with us.

SOLUTION: Ask Pat what they can give us to replace the business we lost. I would be happy to meet with [REDACTED] to view their Hatboro, PA facility after we have discussed what they might be able to steer our way.

Dean, I think your dinner will be more pleasant than both you and I might have thought. I think they know we are decisive and they probably admire that. We need them to save face and tell them we will work with them on anything they choose, but we both need to see results.

 [REDACTED]
10/11/2000 02:54 PM

To: [REDACTED]/ChubbMail@ChubbMail
cc:
Subject: Exhibit

Here goes.



2001reinsplansscenario1b.xls

2CHUBB - 000906
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Chubb Executive Risk
 2001 Proposed Reinsurance Structures
 Scenario #1b - same as Scenario #1a with revised 2001 premium estimates

(Excludes International)	<u>Proposed Structure</u>	Estimated Gross Premium (in millions)	Cession Cost (in millions)	Expected Cost (*) (in millions)
Public and large not-for-profit D&O; Managed Care D&O/E&O	\$10mm xs \$5mm	\$ 204.7	\$ 74.0	\$ 25.0 (A)
	\$10mm xs \$15 mm	32.7	32.7	24.5 (B)
	\$25mm xs \$25mm	13.5	13.5	10.1 (B)
EPLJ (stand-alone)	\$7.5mm xs \$2.5mm	186.6	39.0	13.0 (C)
	\$15mm xs \$10mm	9.2	9.2	6.9 (B)
	\$25mm xs \$25mm	- 0	- 0	- 0
Large E&O (including Large and Mid-sized Law Firms, Accounting Firms, Employed Lawyers, Consultants and Media)	\$7.5mm xs \$2.5mm	55.7	22.6	8.5 (D)
	\$40mm xs \$10mm	8.6	8.6	6.5 (B)
Hospital Professional Liability	Current Structure will Remain Unchanged			
	\$1.5mm xs \$500,000	51.1	9.5	9.5

Intermediary

Carvill

Carpenter

Corporate Casualty treaty?

Carpenter

Carpenter

Corporate Casualty treaty?

Aon

Aon

Carvill

\$8mm xs \$2mm	8.0	8.0	7.2	(E)
\$40mm xs \$10mm	1.5	1.5	1.4	(E)

\$ 571.6 \$ 218.6 \$ 112.6

Total Subject Premium to Reinsurance Treaties

Lines of Business not Reinsured:

Private D&O	\$ 161.1	\$ - 0	\$ - 0	(F)
Small not-for-profit D&O	164.1	-	-	
Fidelity/Crime	112.5	-	-	(F)
MPL/Insurance Agents E&O	74.1	-	-	
Fiduciary	120.6	-	-	(F)

Total Subject Premium not reinsured

\$ 632.4 \$ - 0 \$ - 0

Total - All Lines

\$ 1,204.0 \$ 218.6 \$ 112.6

(* The "Expected Cost" is based on modeled results showing expected losses to a given layer. Expected losses were determined by trending frequency/severity distributions to 2001. This process constitutes one pricing methodology -- there are several others -- and may result in high or low expectations depending on what methodology is employed by reinsurers to price the business.

(A) Assumes a cost sharing mechanism (e.g. annual aggregate deductible, swing-rate, etc.) whereby CBER assumes the equivalent of the first \$50 million on expected losses to the layer of \$63.2 million.

(B) Assumes a 25% co-participation.

(C) Assumes a cost sharing mechanism (e.g. annual aggregate deductible, swing-rate, etc.) whereby CBER assumes the equivalent

Carvill

Carvill

2CHUBB - 000910
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of the first \$15 million on expected losses to the layer of \$26.5 million.

(D) Assumes a cost sharing mechanism (e.g. annual aggregate deductible, swing-rate, etc.) whereby CBER assumes the equivalent of the first \$7.5 million on expected losses to the layer of \$14.4 million.

(E) Assumes a 10% co-participation.

(F) Limits excess of \$25 million will be reinsured; however to date premium exposing limits excess of \$25 million has been diminished.

2CHUBB - 000911
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DATE: 10/15

TELEPHONE MEMORANDUM

CO. NAME: CB&I

TO/FROM: [REDACTED]

RE: _____

Conference call this afternoon between [REDACTED] + [REDACTED].

Dean O'Hare has promised PAT Ryan AOW will get the lion share of CB&I reinsurances. Promise made some time ago + Ryan called Dean in S.A. earlier this week to make sure promise being upheld. Told Dean that AOW handling rll is critically important to AOW + Chubb having positive relation and if Chubb give rll to AOW Ryan willing to put his personal credibility + friendship w/ Dean on the line to make sure Chubb receive preferential treatment from AOW.

[REDACTED] + [REDACTED] all opposed to the decision but believe this is a done deal to do not believe they ^{can} convince Dean to change his mind.

Other like planned

- ADW recently agreed to a 50% rebate on all
"New" commission from Chubb plus a 33%.

rebate on any organic growth on existing
deals. Chubb has a similar program in
place by Guy Carpenter -

- We will be asked to handle HIC & CPER
trying to figure out a way to funnel
more business our way - maybe EPLI

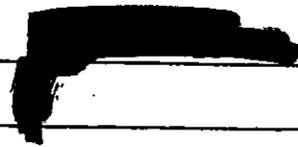
- [redacted] negotiating details of ADW's involvement
by O'Halloran

- Dean told Ryan from the start that ADW
would have the inside track in any beauty
contest

- [redacted] told O'Halloran that ADW's recent proposal
was the worst of the three presented but
that CB would assume the structural duties
and allow ADW to improve.

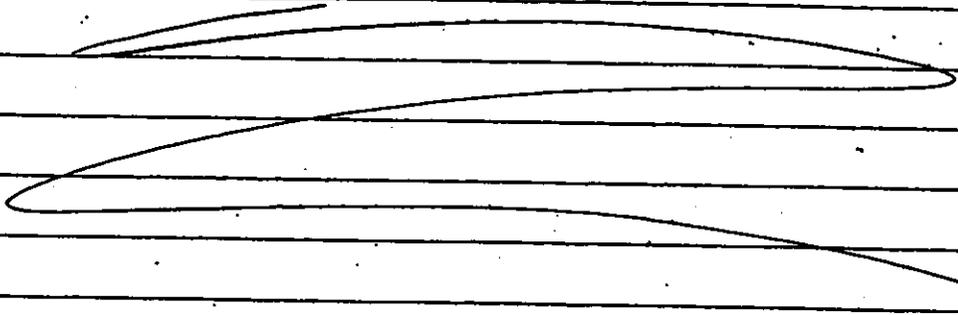
- [redacted] has not agreed to proposal. Wants
to borrow. Chubb
not to contest
in ADW

10/23/00



OK

getting most of the account



gtrly financial meeting in Waver

[redacted] will talk to Dean
about why it's wrong

some of memos

[redacted] has made promises
that we are consulting him
Dean made decisions w/out talking
to anybody.

[redacted] / O'Halloran have been talking

telecom

10/3 3:40 pm

Verified that recommendation is being sent to [redacted] for approval (he is at the bank now).
it was a collaborative effort of [redacted], [redacted] and [redacted] he got [redacted] on board then [redacted]

They have significantly less than the 150-200m they thought they had to spend

I asked if our outreach efforts helped & he responded positively of a less than enthusiastic "yes... it was helpful"

I asked if Don would be upset if he said he didn't think we would & that

he hopes we aren't. He cited being handicapped by certain influences of existing programs.

He said that [redacted] may give his blessing & [redacted] could give God's tomorrow or [redacted] might have him seen it by [redacted] in NJ.

AON

Aon Corporation

MICHAEL D. O'HALLERAN
President & Chief Operating Officer

October 30, 2000

[REDACTED]
[REDACTED]
Chubb Corporation
15 Mountainview Road
Warren, NJ 07061

Dear [REDACTED]

First off, many thanks for your support in the decision to move the Executive Risk treaties to Aon. As promised, I am arranging a conference call with our financial services people, you and Executive Risk and also checking on personal lines issues.

Further, I am attaching a draft agreement for reinsurance services in respects to our relationship dividend agreement. Please review and give me your comments when time permits.

I'm looking forward to Florida. Thanks again [REDACTED]

Regards,

Mike
Michael D. O'Hal

MDO: [REDACTED]

- ~~Mike O'Halleran~~ *O'Halleran*
Michael D. O'Halleran
200 East Randolph Street
Chicago Ill 60601
President Aon Group Inc.
[REDACTED] *312-381-3067*
Secretary

Aon Corporation
123 North Wacker Drive • Chicago, Illinois 60606 • tel: (312) 701-3065 • fax: (312) 701-4150

**CHUBB - 035506
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Bob Needle
05/06/2003 05:10 PM

To: Michael O'Halleran/ASC/US/AON@AONNA
cc:
Subject: Chubb

As I mentioned on the phone there is quite a bit of attention being paid to the Chubb relationship. We have 3 areas of focus and 3 corresponding PSA agreements:

(1) Commercial- Biggest segment is middle market P&C. Also included is casualty which includes excess liability and lower end risk management accounts and major property. There is a separate P&C segment for financial institutions and energy. Overall we are up 9.3% through April 30. However, this is made up of 27% increase in mid market and 53% increase in the P&C part of financial institutions. Detracting from this is a reduction in property (rate and appetite related), energy (lost business related) and a slight increase in casualty where they are moving up from first to second layers on some excess.

To improve this situation we are doing the following. In casualty I am working with [REDACTED] who runs risk management. We have a meeting planned in 2 weeks with 5 or 6 key people on both sides. In property [REDACTED] and I met with their property leader and established regional liasons in both companies. Problem is their appetite is restrictive in a market that is softening. We are trying to push the clean accounts. In commercial risk Carol Spurlock has done a good job working with [REDACTED] at Chubb on mid market and Kemper consolidation (though they turn down more than they take). In financial institutions P&C, I have been pushing in NY where most opportunities reside-it's worked.

The PSA on this is not done. [REDACTED] and I had a tentative agreement. They came back and said it needs to reflect their budget. I said it doesn't reflect the market or their underwriting attitude. [REDACTED] and [REDACTED] are reconsidering. I will not agree their current offer. I expect it to change.

(2) D&O- In spite of their changing underwriting appetite (moving away from tough and large account, moving off primary) we are seeing good growth of 42.2%. They are happy and it maximizes our PSA which we did agree. We are also cutting a separate deal on consolidation of some small and mid market business. You can see from our AIG or other results that they are being somewhat restrictive versus other markets.

(3) Personal Lines- We have very modest growth here of 9%. Chubb is not happy at some recent events where some accounts have been moved. Just learned this today and have a call in to Peterson on this. We have a combination of regional and national growth incentive here.

Bottom line is we are busting to make this work in commercial. While rate of growth increasing monthly, we need them to be more aggressive. If I don't get the commercial agreement done to my satisfaction in next week or so, I may ask for your help. In any event I think it would be good for you and I to have mid year review with [REDACTED], [REDACTED] and [REDACTED].

I'll send some year to date detail in separate attachment.

Eric Andersen
10/06/2003 01:51 PM

To: [REDACTED]@chubb.com
cc:
Subject: Re: Aon FSG CSI September 2003 results [Virus Checked]

Good - thanks
[REDACTED]@chubb.com



[REDACTED]@chubb.com
10/06/2003 01:39 PM

To: Eric_Andersen@ars.aon.com
cc:
Subject: Re: Aon FSG CSI September 2003 results [Virus Checked]

Eric

Very happy to hear how hard you emphasized the relationship from the top. Perhaps we have issues on more of an isolated basis with individuals. I believe we may be getting together this week-if not, I will call you with specifics.



Eric_Andersen@ars
.aon.com

To: [REDACTED]@chubb.com
cc:
Subject: Aon FSG CSI

10/06/03 11:28 AM
September 2003 results [Virus Checked]

[REDACTED]

I wanted to respond to your note below regarding the lack of focus based on the incentive relationship between our two firms. I want to get a better sense as to who or what region you are referring to in your comments below. I can tell you unequivocally that we have maintained a very aggressive pro-Chubb position as you have repositioned your book of business based on your allocation position. The growth in the middle market area, for example, has been very strong (much to the angst of your competitors who call weekly, pay a larger commission percentage and demand a greater share of that business based on their more active role on the primary placements for the large accounts).

We have also spent time at our overall group meetings, conference calls, etc. stressing the value of the Chubb/Aon relationship and its financial impact so am very concerned if you think that we are not focusing on it or that you do not see the value in it. Frankly, it has been a significant driver in the amount of work and time that has been committed to try and work through the marketplace issues with you of this year and keep the business moving in a growth mode.

If you are hearing things to the contrary from our brokers, I would like to

hear about it as these relationships we have today with our partners are getting more and more attention in our firm. If that is not the message all of our people are conveying, I would like to know. I look forward to hearing from you. Thanks
Eric

----- Forwarded by Eric Andersen/CA/ARS/US/AON on 10/06/2003 11:07 AM -----

[REDACTED]
Andersen/CA/ARS/US/AON@AONNA
10/02/2003 02:37
PM
September 2003 results [Virus Checked]

To: Eric
cc:
Subject: Aon FSG CSI

FYI

[REDACTED]
Aon Risk Services
Financial Services Group

Telephone: [REDACTED]
Fax: [REDACTED]
Address: [REDACTED]
New York, NY 10055

----- Forwarded by [REDACTED]/NY/ARS/US/AON on 10/02/2003 02:36 PM -----

[REDACTED]@chubb.c
om
[REDACTED]@ars.aon.com
10/02/2003 12:47
September 2003 results [Virus Checked]
PM

To:
cc:
Subject: Aon FSG CSI

----- Forwarded by [REDACTED]/ChubbMail on 10/02/03 12:44 PM -----

[REDACTED]
[REDACTED]
[REDACTED]@ars.com

10/02/03 12:17 PM

To:
cc:
Subject: Aon FSG CSI

September 2003 results

[REDACTED]

numbers through September. Some growth slippage vs. August in the Northern, Southern, and Western territories. Feedback we are receiving from our field is that this agreement has little or no effect on Aon's placement of business. Relationship seems to be spotty-very strong in certain territories but less so in others.

[REDACTED]

----- Forwarded by [REDACTED]/ChubbMail on 10/02/03 11:01 AM -----

(See attached file: Aon FSG CSI Sept 03.xls)
(See attached file: AonERP_DFI_Sep03.xls)

[REDACTED]

[REDACTED]

Chubb Specialty Insurance

[REDACTED]

[REDACTED]@chubb.com

(See attached file: Aon FSG CSI Sept 03.xls)(See attached file:
AonERP_DFI_Sep03.xls)

Aon FSG CSI Sept 03.xls has been removed from this note on October 06
2003 by [REDACTED]

AonERP_DFI_Sep03.xls has been removed from this note on October 06
2003 by [REDACTED]



[REDACTED]
11/27/2000 09:35 AM

To: Mike O'Halleran, [REDACTED]@arw.aon.com
cc: [REDACTED] /ARW/US/AON@AONNA, Patrick G
Ryan/ASC/US/AON@AONNA, [REDACTED]
Subject: AIG

To confirm a discussion I had with [REDACTED] and [REDACTED] of AIG on 11/21: In return for a commitment of \$10,000,000 in new gross premium from ARS US, AIG has agreed to appoint Aon Re for an additional 2.5% placement of the CCA program, which [REDACTED] has indicated is worth \$750,000 in commission for Aon Re.

[REDACTED]



Scott Clark

02/23/2000 11:48 AM

To: Mike O'Halleran/USA/ARS/Exec/AONCORP@AONNA
cc:
Subject: Liberty Mutual

I attended the Liberty/Aon conference last week and addressed the Liberty people about reinsurance. I told them it's nice to get together and talk about growth and reinsurance is an area where they can demonstrate their expressed good faith. First of all I told them Aon Specialty Re must place the fac on Aon produced business. In fact, I worked with [REDACTED] to take a casualty fac senior broker with me to introduce at the meeting. [REDACTED] committed to putting \$2m of fac premium into us this year.

Then I addressed the treaty reinsurance. I told them we are the best qualified to handle their corporate reinsurance program. Reinsurance is extremely important to Aon and without it we just won't grow as well as with it. I told them if we don't get their reinsurance there is no point in these "love ins". Needless to say I got their attention, some say I was too strong but we have got to stop screwing around with the interdependence message, especially to those that can give us their reinsurance, depend on Aon for production and have mediocre brokers such as [REDACTED], [REDACTED], etc.

I will keep you informed.

 Scott Clark
08/22/2002 12:10 PM

To: [REDACTED]/ARW/US/AON@AONNA
cc: [REDACTED]/ARW/US/AON@AONNA, [REDACTED]/ARW/US/AON@AONNA, Michael
O'Halloran/ASC/US/AON@AONNA, [REDACTED]/ARW/US/AON, [REDACTED]
[REDACTED]NY/ARS/US/AON@AONNA

Subject: Re: Liberty Mutual 

[REDACTED], this is a long story but essentially, in order to keep this account, two years ago we were forced to enter into a partnership arrangement. The agreement approved by Aon and LMG senior management was Aon Re get a minimum \$2,000,000 and our brokerage can increase if ARS put profitable business into LMG. [REDACTED], president of LMG has met with [REDACTED] and others to promote trade and LMG is reviewing a partnership agreement similar to what we have with [REDACTED] but I've been more aggressive. I hope to have a document returned by Liberty soon.

Sorry that this is a surprise but this has been discussed quite often and we went through gut wrenching discussions to save the account. I'm in the office next week and if you like I'll give you a call to discuss.
Regards,
[REDACTED]

 [REDACTED]
08/22/2002 12:48 PM

To: Scott Clark/ARW/US/AON@AonNA
cc: [REDACTED]/ARW/US/AON@AONNA, [REDACTED]/ARW/US/AON@AONNA, Michael
O'Halloran/ASC/US/AON@AONNA

Subject: Liberty Mutual

Scott:

[REDACTED] has advised me that there is a partnership agreement in place, or being put in place, that would require us to put up a large accrual against our Liberty Mutual brokerage.

Can you provide any details?

Also, please provide me with a copy of the agreement when it is finalized.
[REDACTED]

PARTNERSHIP DIVIDEND PLAN AGREEMENT

This AGREEMENT is effective July 1, 2002 (the "Effective Date"), by and between Aon Re Inc. ("Aon Re") an Illinois corporation, a wholly owned subsidiary of Aon Corporation, a Delaware corporation (which, together with its other subsidiaries and affiliates is hereinafter referred to as "Aon Corp.") with its principal place of business in Chicago, Illinois and Liberty Mutual Insurance Company, domiciled in Massachusetts, along with certain of its affiliates and subsidiaries, through and exclusively for its business unit Liberty Mutual Property with its principal place of business in Weston, Massachusetts.

WITNESSETH

I. SERVICES AGREEMENT

1. Liberty Mutual Property and Aon Re have entered into an agreement, whereby Aon Re has agreed to act as reinsurance intermediary broker in placing treaty reinsurance business at the instruction of Liberty Mutual Property for the term extending from July 1, 2002, through June 30, 2003.
2. Helmsman Insurance Agency, ("HIA") a licensed broker, is a subsidiary of Liberty Mutual Insurance Company. Aon Re agrees to utilize HIA to provide to Aon Re services relating to the Liberty Mutual Property treaty reinsurance business having effective dates during the period extending from July 1, 2002, through June 30, 2003. The services will be described in a separate memorandum of agreement.
3. In consideration of this Services Agreement, Liberty Mutual Property agrees to the provisions of the Placement Service Agreement as detailed herein with respect to retail property insurance business placed by Aon Corp. with Liberty Mutual Property.

II. PLACEMENT SERVICE AGREEMENT

1. In consideration of its agreement to the terms of the Services Agreement, Aon Re becomes eligible to receive Placement Service Payments in conjunction with the placement of retail property insurance business with Liberty Mutual Property by Aon Corp. In calculating the Placement Service Payments due Aon Re, all retail property insurance placed by Aon Corp. and written by Liberty Mutual Property shall be eligible.
2. Payments hereunder are referred to as "Placement Service Incentives" and shall be in addition to, and not in lieu of, customary commissions due Aon Corp. in conjunction with retail property insurance business placed with and written by Liberty Mutual Property as well as any reinsurance brokerage due Aon Re in accordance with the placement of property reinsurance on behalf of Liberty Mutual. Liberty Mutual Property shall pay Aon Re separate Placement Service Incentives based on Direct Written Premium and Loss Ratio as follows:

- a. Liberty Mutual Property shall pay Aon Re a Placement Service Incentive in an amount equal to the Payout as set forth below based on the Direct Written Premium for subject policies with effective dates from July 1, 2002, through June 30, 2003:

<u>Direct Written Premium</u>	<u>Payout</u>
= or > \$40,000,000	\$500,000
= or > \$35,000,000 to \$40,000,000	\$400,000
= or > \$32,000,000 to \$35,000,000	\$300,000.

Aon Re shall not be entitled to any Placement Insurance Incentive based on Direct Written Premium if the Direct Written Premium is less than \$32,000,000.

Confidential Treatment
Requested

AON0014304

"Direct Written Premium" is defined as direct written premiums for retail property insurance business placed by Aon Corp. and written by Liberty Mutual Property less premiums refunded by Liberty Mutual Property with respect to returns, allowances, or cancellations; provided, that no deduction shall be made for return premiums in the event a policy is canceled and rewritten mid-term by Liberty Mutual Property through another broker. If Aon Corp. is appointed, pursuant to a broker of record letter and not part of a purchase, merger, or other acquisition, as broker on any policy or policies written by Liberty Mutual Property through a different broker, Direct Written Premium attributable to such policies shall not be recognized in the calculation of the Placement Service Incentive. Direct Written Premium attributable to the renewal of any such policies during the term of this Agreement shall be recognized as part of the Placement Service Incentive calculation if the broker of record appointment is still in effect on the date of renewal.

- b. Liberty Mutual Property shall pay Aon Re a Placement Service Incentive in an amount equal to the Payout as set forth below based on the Loss Ratio resulting from the retail property insurance business placed by Aon Corp. with Liberty Mutual Property:

<u>Loss Ratio</u>	<u>Payout</u>
Less than 20%	\$1,000,000
20% to 25%	\$800,000
> 25% to 30%	\$600,000
> 30% to 35%	\$400,000
> 35% to 40%	\$200,000.

"Loss Ratio" is defined as direct losses incurred from all accident dates (paid and/or reserved), excluding catastrophe losses, on all retail property insurance business placed by Aon Corp. with Liberty Mutual Property having effective dates extending from July 1, 2002, through June 30, 2003, divided by the earned portion (as of the date of calculation) of Direct Written Premium for retail property insurance business placed by Aon Corp. with Liberty Mutual Property having effective dates extending from July 1, 2002, through June 30, 2003.

In the event the Direct Written Premium for the above term is less than \$15,000,000, there will be no payout under this Loss Ratio section.

3. All definitions and calculations of Direct Written Premium and loss ratio shall be based solely on Liberty Mutual Property reporting metrics; although, Liberty Mutual Property shall allow Aon Re reasonable access to its books and records for purposes of verifying any amounts due hereunder.
4. Liberty Mutual Property shall prepare and deliver Placement Service Incentive Statements to Aon Re within 45 days of the end of each calendar quarter and payment of Placement Service Incentives shall be made by September 30, 2003; although, Liberty Mutual Property shall be entitled to retain from any such payment any return premium and return commissions due to Liberty Mutual Property under any reinsurance treaty or insurance policy with respect to any property business the subject of this Agreement. At each subsequent June 30, until such time as all liabilities under the retail property insurance business placed by Aon Corp. and written by Liberty Mutual Property are fully extinguished, Liberty Mutual Property shall recalculate the Placement Service Incentive based on Loss Ratio and any amount due either party based on the recalculation shall be paid by September 30. Aon Re shall not be entitled to any Placement Service Incentive if either this Placement Service Agreement or the Services Agreement are canceled by Aon Corp. or Aon Re, or if Liberty cancels the Services Agreement before the service are received or if Liberty cancels the Placement Service Agreement because of misrepresentation, fraud, malfeasance, or nonfeasance by Aon Corp. or Aon Re.

III. TERMS APPLICABLE TO BOTH AGREEMENTS

- 1. Dispute Resolution:** Any dispute arising under this Agreement shall be resolved by binding arbitration pursuant to the rules of the American Arbitration Association before a panel of three arbitrators. The party demanding arbitration shall notify the other party in writing of its intent to invoke this provision, and shall notify the recipient of the name and address of its arbitrator. The party receiving the notice to arbitrate shall have 21 days after receipt of such notice to select an arbitrator, and to provide the name and address of its arbitrator. In the event the party receiving notice fails to select an arbitrator within 21 days, the party demanding arbitration shall be entitled to select the other party's arbitrator. The two arbitrators shall select a third arbitrator within 21 days of the naming of the second arbitrator. All arbitrators shall be experienced in the insurance industry, with knowledge of the insurance broking business, and shall be disinterested in the outcome of the arbitration. The arbitration shall be conducted in Boston, Massachusetts.
- 2. Term and Termination:** This Agreement, and the Services Agreement and Placement Service Agreements comprising this Agreement, shall be effective on July 1, 2002, and shall remain in effect through June 30, 2003, unless terminated in accordance as provided herein. Either party may terminate this Agreement at any time by providing written notice to the other. Termination of one of the two Agreements comprising this Agreement automatically terminates the other Agreement. Notwithstanding the expiration of this Agreement, the terms and conditions of this Agreement shall continue to apply to all obligations and duties assumed hereunder until these obligations and duties are satisfied in full.
- 3. Confidentiality:** The terms of these Agreements are confidential and shall not be disclosed by either party except as may be required by law.
- 4. Assignment:** These Agreements and the rights, duties and responsibilities set forth herein shall not be assignable by either party hereto.
- 5. Notices:** All notices as required under this Agreement shall be sent by pre-paid, first class mail to the other party and shall be deemed to have been effected when sent. Notices shall be sent to:

Aon Corporation
Aon Re Inc.
Attn: Michael D. O'Halleran
200 East Randolph
Chicago, Illinois 60601

Liberty Mutual Property
Attn: [REDACTED]
9 Riverside Road
Weston, Massachusetts 02493-2298.

Or to such other person or address as either party may from time to time so notify the other party.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first above-written.

Aon Corporation
Aon Re Inc.

By: [Signature]
Name: Michael D. O'Halleran

Date: 4/21/03

Confidential Treatment
Requested

Liberty Mutual Insurance Company

By: [REDACTED]
Name:

Date: 4/29/03

AON0014306

AON

Reinsurance Services

VIA OVERNIGHT COURIER

April 14, 2003

Mr. [REDACTED]
Liberty Mutual Insurance Company
9 Riverside Road
Weston, MA 02493-2298

Dear Mr. [REDACTED]

Pursuant to the Memorandum of Agreement among Aon Re Inc., Helmsman Insurance Agency, and Liberty Mutual Insurance Company, effective July 1, 2002, the fee for the period July 1, 2002, through June 30, 2003, shall be \$3,000,000.

Please sign below indicating your acknowledgement and return an original to me.

Sincerely yours,



Michael D. O'Halloran

On behalf of Helmsman Insurance Agency

By: [REDACTED]

On behalf of Liberty Mutual Insurance Company

By: [REDACTED]

**Confidential Treatment
Requested**

MEMORANDUM OF AGREEMENT

In anticipation of a continuing business relationship between Liberty Mutual Insurance Company, a Massachusetts domiciled insurance company ("LMIC") and Aon Re Inc. ("Aon Re") and its affiliates, an Illinois domiciled reinsurance intermediary broker, the parties to this Memorandum of Agreement ("Agreement") deem it desirable and prudent to reduce to writing the manner in which they will continue to do business together.

In an effort to more efficiently coordinate its property treaty reinsurance needs, LMIC hereby delegates to Helmsman Insurance Agency, a Massachusetts licensed insurance broker ("HIA"), and a wholly owned subsidiary of LMIC, the responsibility for coordinating and administering specific Property Catastrophe and Property Per Risk reinsurance treaties for LMIC and the Wausau Insurance Companies ("WIC").

Therefore, the parties hereto make the following representations and jointly agree to the following:

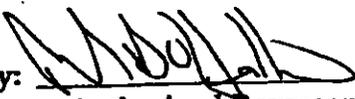
1. **Best Efforts.** HIA will assist LMIC in preparing and packaging LMIC's and WIC's Property Catastrophe and Property Per Risk reinsurance needs and shall submit to Aon Re LMIC's requests for reinsurance placement. Aon Re agrees to use its best efforts to procure, from time to time and at the request and direction of HIA, reinsurance for LMIC.
2. **Binding.** HIA acknowledges that it is not an agent of Aon Re, and as such it has no power to bind Aon Re or any reinsurer.
3. **Licensing.** HIA represents that it is a duly licensed insurance broker in every state in which it transacts business.
4. **Premiums.** HIA agrees to be responsible for forwarding to Aon Re premiums (including premium adjustments) for such reinsurance placed by Aon Re on behalf of LMIC.
5. **Servicing Fee.** Aon Re agrees to allow HIA a servicing fee for the reinsurance placed for LMIC by Aon Re. The amount of this servicing fee will be agreed to each year.

6. **Accounting.** Aon Re will issue a separate premium invoice to HIA for each placement of reinsurance for LMIC and HIA will forward invoices to LMIC for payment. LMIC shall forward premium payments to HIA for remittance to Aon Re in accordance with due dates agreed upon. The Servicing fee may be offset against premium before payment is remitted to Aon Re.
7. **Claims and Losses.** HIA acknowledges that Aon Re will be the designated intermediary and that as such Aon Re will receive from HIA for filing with the reinsurers all notices of occurrence or claim, unless specific circumstances dictate otherwise. Each party agrees to furnish the other with copies of correspondence to and from the reinsurers and LMIC in a prompt manner upon request. To the extent called upon to do so by LMIC, each agrees to assist LMIC with the presentation of their claims to the reinsurer whenever feasible.
8. **Termination.** This Agreement may be terminated by either party upon forty-five (45) days written notice to the other party.

Except as is otherwise indicated, this Agreement shall be effective as of July 1, 2002, and shall apply generally to all future reinsurance placed by Aon Re for LMIC at HIA's direction.

This Agreement dated 4/14/03

AON RE INC.

By: 
Authorized Representative

HELMSMAN INSURANCE AGENCY



Acknowledged and Accepted by:

LIBERTY MUTUAL INSURANCE COMPANY

By: 
Authorized Representative

Confidential Treatment
Requested

AON0014309



08/30/2002 12:47 PM

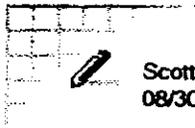
To: Scott Clark/ARW/US/AON@AONNA
cc: [REDACTED] ARW/US/AON@AONNA, [REDACTED]
[REDACTED] ARW/US/AON@AONNA, [REDACTED]
[REDACTED] NY/ARS/US/AON@AONNA, Michael
O'Halleran/ASC/US/AON@AONNA, [REDACTED]
[REDACTED] ARW/US/AON@AONNA

Subject: Re: AON Partnership dividend - LM Property [Virus Checked]

When the agreement is drawn up they should not try to recapture the money through a lower remittance. There are too many factors involved. We should receive the full premium and return to them any deemed excess amounts. This is how all of these agreements have worked.

The preference would be to settle this annually, but certainly no more frequent than quarterly.

Scott Clark



Scott Clark
08/30/2002 10:46 AM

To: [REDACTED] ARW/US/AON@AONNA, [REDACTED] ARW/US/AON@AONNA
cc: [REDACTED] ARW/US/AON@AONNA, [REDACTED] NY/ARS/US/AON@AONNA, Michael
O'Halleran/ASC/US/AON@AONNA, [REDACTED] ARW/US/AON

Subject: AON Partnership dividend - LM Property [Virus Checked]

Here is where we are currently; I'll speak with [REDACTED] ASAP to clarify any points and get back to you. Also, I'll speak with [REDACTED] about the reality of putting significant business into LMG in order to trigger the partnership dividend. Until this is resolved, I suggest we book only the \$2m minimum. Also, MDO said he'd take this up with senior Liberty management when the time is best; probably at the Greenbriar. I'll keep you posted, Regards,

Forwarded by Scott Clark/ARW/US/AON on 08/30/2002 10:43 AM



[REDACTED]@LibertyMutual.com> on 08/30/2002
09:09:11 AM

To: Scott Clark/ARW/US/AON@AONNA
cc:

Subject: AON Partnership dividend - LM Property [Virus Checked]

Scott-

I got your voicemail yesterday. I'm in until 1:00PM today, and most of next week. I agree we need to finalize this and we should have the PSA (draft) by the end of next week.

My understanding of the partnership dividend program between LM Property and AON is as follows:

2 separate (but related) agreements:

1. Co-brokerage via [REDACTED] services, for the difference between the actual brokerage and \$2M minimum. The \$2M minimum was agreed to in Portugal considering your cost structure and the value added AON offers ([REDACTED] quoted \$1.5M flat). In our last discussion you indicated the actual

brokerage may be close to \$5M given the significant increased premium for the program. Based on this we would expect \$3M (\$5M - \$2M) to come back to LM Property via ██████████ through lower (net) quarterly remittance to AON.

2. The partnership dividend program is to promote overall business between AON and LM Property. To this end we would have a separate PSA agreement for all LM Property business produced through AON. This PSA would be based on overall production (direct written premium) on policies effective 7/1/02 - 03. There would also be a profitability component related to loss ratio. The understanding was we would construct the payoff such that with "stretch goals" met, the PSA would return roughly half of the co-brokerage amount (\$1.5M in the example above).



- att1.htm

COPY

RLI

RLI Insurance Company
9025 N. Lindbergh Dr. Peoria, IL 61615-1431
Phone: 309-692-1000 Fax: 309-692-1068

www.rlicorp.com

BCC: [REDACTED]

August 16, 2001

VIA FACSIMILE (312-381-4150) & UPS NEXT DAY AIR

Mr. Michael D. O'Halleran
President and Chief Operating Officer
AON Corporation
200 E. Randolph St.
Chicago, IL 60601

Dear Michael:

It was great to see you again yesterday in your new offices. The building is beautiful and a testament to where AON stands as an entity.

We discussed my letter to you dated July 27, 2001 (copy attached). You and I agreed to all aspects of that letter except for item #3 - Defining those placements where AON Re will deal with direct markets.

I have now reviewed your suggestion that AON Re handle direct placements for all property treaties where AON Re is broker, except for the Construction program, and I find this completely acceptable to RLI.

I would like to thank you again for the relationship with you and AON. We look forward to our meeting in your offices September 4, 2001 at 10:00 a.m.

Sincerely,

[REDACTED]

Att.

cc:

[REDACTED]
Dave Kelley - AON

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RLI 000993

FUNDAMENTALLY
innovative

COPY

RLI

RLI Insurance Company
9025 N. Lindbergh Dr. Peoria, IL 61615-1431
Phone: 309-692-1000 Fax: 309-692-1068

www.rli.com

July 27, 2001

VIA UPS NEXT DAY AIR

Mr. Michael D. O'Halloran
President and Chief Operating Officer
AON Corporation
200 E. Randolph St.
Chicago, IL 60601

Dear Mike:

My apologies for not responding sooner to your letter of May 21st, however, I'm sure you know that we met with Dave Kelley on July 11th and had an extensive discussion of the issues enunciated in your letter.

Let me restate where we come out on this:

1. My understanding of the extant "relationship dividend" is that it applies to all ceded reinsurance premium placed by AON Re. I do understand that my view is not held by AON (Dave) and the letter outlining the understanding is not a picture of clarity. Please understand that this represents \$1,000,000 of lost revenue to us (if your understanding prevails).
2. We will agree to relinquish our claim to the additional relationship dividend for prior years so long as it applies on a go forward basis to all business placed by AON Re commencing January 1, 2001.
3. We are agreeable to instructing our direct market reinsurers on capacity placements (currently our Cats) to deal with AON Re at the 2002 renewal. We view this as a positive initial step to your proposal. As this unfolds we will consider extending this arrangement to additional placements.
4. Obviously the relationship dividend is a very strong incentive for us to utilize AON Re as our primary reinsurance intermediary.
5. We are very interested in meeting with your brokerage team to explore ways to enhance RLI's position as a leading market for AON in those markets we serve. We would propose the meeting in Chicago with your associates referenced in your letter and I'll have our Product VP's including: [redacted]/Programs, [redacted]/Primary Liability, [redacted] Excess/Umbrella, [redacted]/Professional, [redacted] Transportation, [redacted] and me. Looking at our calendars, either Wednesday, August 15th or Thursday, August 23rd would work best for us. Would you be available on either of those dates?

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Page 2

6. We believe that the current market place makes with any effort a 20% growth fairly certain. However, we agree with your proposal on the additional 5% relationship dividend if you don't meet that target in 2001, 2002 and again in 2003. We should discuss further growth goals in 2003 for year 2004. Obviously we'll need to work out the details on this as soon as possible.

We hope this meets with your approval so we can move forward in continuing to strengthen the relationship between RLI and AON.

Sincerely,

[Redacted signature block]

cc:

[Redacted]
Dave Kelley - AON

bcc:

[Redacted]
[Redacted]

AON

RECEIVED

Aon Corporation

MAY 23 2001

President & CEO
RLI Corp

MICHAEL D. O'HALLERAN
President & Chief Operating Officer

RECEIVED
MAY 24 2001
EXECUTIVE VP

May 21, 2001

Copies to:

[Redacted]
[Redacted]
[Redacted]

Mr. [Redacted]
[Redacted]
RLI Insurance Company
9025 North Lindbergh Drive
Peoria, Illinois 61615

Dear [Redacted]

Many thanks for hosting a great day in Peoria, despite the golf results!!! Also, please once again thank [Redacted] for allowing two weary Irish travelers a place to lay their heads. You have a beautiful home and should be proud of it.

Per our discussions, we agreed that Aon would host a meeting at our Glenview facilities. I suggest the following attendees from Aon:

[Redacted]
[Redacted]
[Redacted]
Dave Kelley

[Redacted]
[Redacted]
Representing Wholesalers
Affinity and Association business
Reinsurance

Since all except Dave are from Chicago, please give me some dates that work for you. I suggest after 7/1 due to travel and renewal market issues.

I'm also enclosing a Transformation book for markets that can give you a road map to where we are going in the future. You will readily see that organized this way, we will be able to go to markets in an organized, focused approach.

We also discussed dates for the trip to Wisconsin with the girls. How does July 18th and 19th work? You could fly to Lake Geneva and we could go right up to Whistling Straits for a round of golf, return that afternoon, dine in Lake Geneva and play golf at Big Foot on the 19th. On the 18th the girls could play at Lake Geneva Country Club or join us at Koehler, although I don't think [Redacted] could join, as she will not be able to walk 18 holes.

Finally, after an exhausting day on the course, I made the following offer to create a win/win for RLI and Aon well into the future:

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Aon Corporation

1. Aon agrees to pay RLI 20% relationship dividend of all reinsurance brokerage for which Aon is the intermediary including current direct placements.
2. Aon will discuss this arrangement with the direct writers and will, upon their agreement, provide a seamless approach to handling accounting, contracts and other services as required. We do billions of dollars of business with these "directs".
3. In the event Aon's global distribution does not deliver in excess of 20% growth in 2001, we further agree to an additional 5% relationship dividend.

█, this allows RLI to streamline reinsurance administration, use Aon's leverage with markets, create an additional income stream, and get added growth through Aon's distribution.

I'll look forward to your review of this offer as soon as possible.

Please extend my thanks to █ for a great day. It's always great being with you and I look forward to our meeting in July.

Thank you again.

Best regards,

Mike

Michael D. O'Halleran

MDO:sg

cc: Dave Kelley

[redacted]/ho/ricorp
03/25/2003 11:03 AM

To [redacted]ny/ricorp@ricorp, [redacted]
[redacted]/ho/ricorp@ricorp, [redacted]r/ho/ricorp@ricorp
cc
bcc
Subject D&O RFP

I talked to Dave Kelley this morning regarding the RFP. His responses were as follows:

1. On the question of brokerage, Dave said that in 2002 Liberty agreed to 10% of net on brokerage. The other two markets were at 5% of net (about 3% of gross).

Dave said that the treaty has changed in complexion over the last three years - going from a treaty that had a real need for an excess of loss to one that is now really a pro-rata treaty.

He acknowledged that brokerage of 2 1/2% is right for a pro-rata treaty. He indicated that AON would reduce its brokerage to whatever it takes to place the treaty. He mentioned that they would go lower than 2 1/2% if necessary. I told him it probably would be.

2. Dave disputed that brokerage was a problem in placing the business this last year. He said [redacted] last minute decision was the real reason for the difficult placement, followed by [redacted] firing of [redacted], which effectively took them out as a market.

3. On the expertise question - Dave has committed [redacted] (Stanford AON) to be the lead broker on the account. [redacted] has significant D&O and other professional experience and [redacted] requested that [redacted] be more involved. Dave indicated that [redacted] would no longer be involved.

4. Dave committed to AON's delivering more business to RLI.

Let's talk about this in the morning. I suggest we talk either right at 8:30 a.m. or around 4:00-4:30 (I am playing golf from 9:30 to 3:30).

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RLI 001149

EPG 7/1/03 Renewal Timeline and Deliverables

Renewal timeline:

Week Of	Activity
March 31 st	Initiate Renewal Exhibit Preparation as of 3/31/03 *
April 11 th	Renewal submission to AON Re
April 21 st	Renewal structure finalized including input/alternatives discussed with AON
April 28 th	Renewal submission to broker markets including placement slip
May 20 th	Reinsurance Presentation & Golf Outing – Summit, NJ
May 21 st -22 nd	Underwriting file review – Summit, NJ
May 28 th	Receive lead market renewal quote
May 29 th	RLI will update AON regarding lead position
June 9 th	Firm order terms in the market
June 23 rd	Placement complete with bound lines
Aug 1	Covernote signed by RLI & reinsurers
Oct 1	I & L's signed by RLI & reinsurers

*See attached of suggested list of renewal exhibits

Audit schedule:

May 21st- 22nd File review in Summit, NJ
Other dates to be agreed

Expectations for Renewal:

1. Dave Kelley, [REDACTED] and [REDACTED] will be the brokers handling the account.
2. \$15M in limits for all coverages (D & O, E & O, Fiduciary, Crime, Kidnap & Ransom) Managed Care E & O will be submitted to reinsurers. We will need a specific strategy for this class of business.
3. Ceding Commission to follow lead terms (expectation is 32%)
4. Maintain VQS for excess business.
5. Evaluate structure for primary business in conjunction with ILF review.
6. AON to provide assistance with rate change information/presentation.
7. Full disclosure of brokerage charge. No non-concurrency between markets. Brokerage to be standard market brokerage. (1.5% - 2.5% of Gross.)
8. More than 50% of the placement must be in the broker market with approved/quality security.
9. AON will endeavour to produce \$25M in retail premium production for the product line.
10. AON to secure RLI as the guest speaker at the next National FSG Meeting.

AUG-31-2001 09:27

P.01/04

AON

Michael D. O'Halleckan
President and Chief Operating Officer

August 31, 2001

Mr. [REDACTED] and
[REDACTED]
Travelers
One Tower Square
Hartford, CT 06183

Mr. [REDACTED] and
[REDACTED]
Travelers
One Tower Square
Hartford, CT 06183

Re: Travelers/Aon Relationship Dividend Program

Dear [REDACTED] and [REDACTED]

Many thanks for affording your valuable time to meet and discuss our very important strategic relationship and the issues related thereto in regards to reinsurance and growth initiatives.

We are very proud to have represented your operation for the past 17 years and want to ensure that the next 17 years are as mutually rewarding as the past.

To achieve those ends, we agreed that a proactive approach to relationship building is most appropriate. We have agreed that we will call a meeting in the very near future to create a Business Plan together that will focus on growth and profitability. I will work with [REDACTED] and [REDACTED] to compose a team of Aon representatives to attend this meeting. I'll await your suggested team as well.

In addition, [REDACTED] I will try and meet with you at the Greenbrier for coffee or drinks.

Finally as promised, we mutually desire a win/win scenario for our relationship that is sustainable through hard and soft markets and creates incentives for both partners in the relationship to achieve the highest professional qualities and results.

We are proposing the creation of a relationship dividend program that ties together the performance of our retail business to growth targets beyond the expected year end and numbers at 2001 which we highlighted on page 2 of the exhibits attached. Please recognize that these are merely examples, i.e., 80,000,000 estimate which will be adjusted to actual within 90 days of year end to provide the targets to attain a minimum of 20% growth in 2002.

