

****CONFIDENTIAL****

TRAVELERS RELATIONSHIP DIVIDEND MODEL

**I. Estimated 2001 Aon ceded premium and margin to Travelers by line:
(000's omitted)**

	<u>Premium</u>	<u>Travelers Margin (1)</u>
Bond	\$45,000	31% / \$14,000
Executive Liability	\$35,000	24% / \$8,400
Total	\$80,000	28% / \$22,400

(1) Margin is pre-tax but includes investment income credit

**II. Estimated Aon retail brokerage and margin on above:
(000's omitted)**

	<u>Premium</u>	<u>Retail Commission</u>	<u>Retail Margin</u>
Bond	\$45,000	20% / \$9,000	15% / \$1,400
Executive Liability	\$35,000	20% / \$7,000	15% / \$1,000
Total	\$80,000	\$16,000	15% / \$2,400

**III. Estimated 2001 Aon Re reinsurance brokerage and margin:
(000's omitted)**

	<u>Premium</u>	<u>R/I Brokerage*</u>	<u>R/I Margin</u>
Bond	\$45,000	\$2,000	35% / \$700
Executive Liability	\$35,000	\$1,600	35% / \$560
Total	\$80,000	\$3,600	\$1,260

*R/I Brokerage is calculated on total subject matter premium for Surety and Executive Liability, not just Aon ceded premium.

AUG-31-2001 09:28

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IV. Premium Growth Table (000's omitted)

Percent Increase in New Business off \$80,000 Base*	Increase in Travelers Margin	Increase in Aon's Margin		Total
		Retail	Reinsurance	
%	\$	\$	\$	\$
10%	8,000	2,200	240	260
12%	9,600	2,700	290	314
14%	11,200	3,100	340	368
16%	12,800	3,600	380	412
18%	14,400	4,000	430	466
20%	16,000	4,400	480	520

* Assumes uniform increase for Surety and Executive Liability.

NOTES:

1. For every dollar in new premium from Aon, Travelers makes an average margin of 28¢ and Aon makes a combined margin on retail commission and R/I brokerage of 3¢, a leverage ratio of approximately 9:1.
2. The actual 2002 reinsurance structure will change the reinsurance brokerage and margin estimates accordingly.

AON

Aon Re Worldwide

[REDACTED]

June 19, 2003

FILE

Mr. [REDACTED]
Business Development Officer
Endurance Re Corp. of America
809 W. Everett Road
Lake Forest, IL 60045

Re: Strategic Alliance Partnership

Dear [REDACTED]

You expressed an interest to [REDACTED] to come in and review the treaty abstracts of Aon Re US. As mentioned on the phone the other day we have restricted that privilege to reinsurers willing to partner with Aon Re as a strategic partner. By design we have limited the number of strategic partners to only those that are financially strong and willing to take large lead lines on Aon Re client programs. We certainly agree that Endurance Re qualifies.

The last qualifier is one based on a mutual relationship. The parties must be able to work together based on trust and a willingness to develop reinsurance programs that satisfy the cedant. With Aon's investment in Endurance both parties have worked hard to develop and foster a strong relationship.

You asked me to other day why would Endurance want to become a strategic partner with Aon's investment in Endurance and the potential that your costs could increase slightly. We think there are a number of good reasons but a couple of the major reasons are as follows. First you would enjoy favored treatment over non-strategic partners. As mentioned previously you would have the opportunity to personally review the entire listing of all current treaty abstracts. This gives you a unique opportunity to pre-select programs you are interested in participation as a reinsurer. Second on new programs you would have the first opportunity to quote and participate on the programs. On renewal business we would attempt to make room on a program you are interested in and or if an existing reinsurer declined to participate you would have the first crack at replace the expiring reinsurer.

If you are available to meet possibly including [REDACTED], [REDACTED] and I would like to further discuss the benefits of being a strategic partner.

200 W. Randolph - Chicago, Illinois 60601
[REDACTED]

Aon Re Worldwide

As mentioned on the phone each strategic partnership contract is specific to the parties. Following is a sample contract for your review.

Effective July 1, 2003 through June 30, 2004

*Gross written premium for the period 7/1/2003 thru 6/30/2004 divided by gross written premium for the period 7/1/2002 through 6/30/2003.

If growth is 10% and less than 20% - additional brokerage due Aon of 20%

If growth is 20% and Less than 30% - additional brokerage due Aon of 40%

If growth is 30% and less than 40% - additional brokerage due Aon of 60%

If growth is 40% or greater – additional brokerage due Aon of 80%

*Gross written premium is Endurance booked premium from Aon during the specified period with the exception that with finite deals only the margin is counted.

Please feel free to give either Paul Davics at 312-381-43290 or myself at 312-381-4383 a call to discuss further.

Best regards,



Cc: 



Aon Re Worldwide

DEC 18 2003

VIA OVERNIGHT MAIL

December 16, 2003

Mr. [REDACTED]
[REDACTED]
Endurance Specialty Insurance Ltd.
#48 Par-la-Ville Road, Suite 784
Hamilton HM 11
[REDACTED]

Re: Endurance Re Service Agreement with Aon Re Global

Dear [REDACTED]

It is my understanding that the abstract review on Wednesday, December 10, 2003 went very well. [REDACTED] is working on completing the review today.

Under the Agreement, Aon Re Global agrees to provide its actuarial services, modeling services, claims services to include claims collections, accounting and treaty wording services to help Endurance better provide the type of services that our clients need. In consideration for these services, Endurance Re agrees to pay to Aon Re Global a fee based on the growth of the subject ceded business on an annualized basis from Aon Re Global. The first period as defined below will be compared with January 1, 2003 through December 31, 2003. Endurance Re, based on the above, agrees to pay Aon Re Global additional compensation per the following terms and conditions:

1. Additional .5% of the ceded premium growth on pro-rata business.
2. 2% of ceded premium growth on excess and cessions business placed at 10% reinsurance brokerage.
3. 20% of brokerage on ceded premium growth on working layer and cessions business which is less than 10%. As an example, a working layer placed at 5% brokerage would earn an additional 1% brokerage due Aon Re Global.

Subject Business will be defined as:

1. Business accepted or renewed with the Endurance Group with effective date:
 - a. First Period: 1-1-04 through 12-31-04
 - b. Second Period: 1-1-05 through 12-31-05

Aon Re Worldwide
200 East Randolph • Chicago, Illinois 60601
[REDACTED] • e-mail: [REDACTED]@aon.com • www.aon.com

AON0014363

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Aon Re Worldwide

Mr. [REDACTED]
December 16, 2003
Page 2

2. Property Casualty, Life and A & H reinsurance which is reinsured in whole or in part by the Endurance Group to include all Worldwide business produced by Aon Re Global except:
 - a. Will exclude the former Hart Re Direct Business now part of [REDACTED]'s ASAP facility.

Base Ceded Premium will be defined as:

1. The annual ceded premium with effective dates 1-1-03 through 12-31-03
2. Will include the Hart Re business Endurance acquired in May 2003 placed by Aon Re Global.

Provisional calculations of Additional Compensation shall be prepared by Aon Re Global on a quarterly basis for each period with remittance due within 60 days of receipt and approval of calculation by Endurance. Final calculation and reconciliation to be made 12-31-05 for the first period and 12-31-06 for the second period.

After your review and acceptance, please sign and return one copy and retain the second for your records.

Best Regards,

[REDACTED]
PRD/cs

cc: [REDACTED]

Agreed and Accepted:

[REDACTED]

[REDACTED]

4-13-98

Interoffice Memorandum



Aon Re Worldwide

To: [REDACTED]
From: [REDACTED]
Direct Line: [REDACTED]
Fax Number: [REDACTED] (312) 781-7901
Re: Strategic Partnership Bonus
Date: April 13, 1998

Here is a list of people in Chicago that have placed significant business with Kemper Re.

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]
6. [REDACTED]
7. [REDACTED]
8. [REDACTED]
9. [REDACTED]
10. [REDACTED]
11. [REDACTED]
12. [REDACTED]
13. [REDACTED]

n:\karen\vngbmpd2.doc

Aon Re Inc.
123 North Wacker Drive • Chicago, Illinois 60606 • tel: (312) 781-7900 • fax: (312) 781-7901

4-13-98



Aon Group

Facsimile Transmittal

Date: April 13, 1998

To: [REDACTED]

From: [REDACTED]

re: Kemper Dividend

[REDACTED]

Further to the meeting in Chicago on March 16, 1998, I am still awaiting your list of individuals who were responsible for placing business with the Kemper in 1997. As you will remember, we will be paying an additional bonus to these individuals as an incentive for having placed business with the Kemper last year.

Please respond by return facsimile as soon as possible.

Aon Group, Inc.

123 North Wacker Drive • Chicago, Illinois 60606 • Fax: (312) 781-8830

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.

Aon Re – Placement Service Agreements

Aon Re occasionally enters into placement service agreements (PSAs) with reinsurers. In general, Aon Re performs various services under the PSAs, and it receives payments based on certain business volume or production targets with respect to business placed with the reinsurer in question. PSAs are a long-standing practice in the reinsurance industry, and reinsurance customers can benefit from the relationship established between Aon Re and the reinsurer through the PSA.

Currently, Aon Re maintains PSAs with three reinsurers, including one, which is a participant on the RLI's reinsurance program. Under this agreement, Aon Re provides various services to the reinsurer, including reinsurance submissions of specified quality levels, feedback on underwriting practices and general market information. In return, it receives payments from the reinsurer based on the percentage increase, if any, in reinsurance premium volume placed into the reinsurer by Aon Re client companies on a year over year basis. Moreover, the PSA in question specifies that Aon Re is in no way obligated to direct business to the reinsurer against a client direction or request.

As the PSAs are based on significant volumes of aggregate production, any one account generally has a minimal effect on Aon Re's ability to earn additional payments. Neither any Aon Re office nor any individual Aon Re broker receives additional compensation or bonus based on meeting the production threshold in any PSA. Indeed, terms of PSAs are not generally disclosed to Aon Re brokers. As such, broker placement decisions on a given account are not influenced by the PSAs.

August 17, 2004

[REDACTED]
[REDACTED] t
Aon Re Inc.
199 Fremont Street, 12th Floor
San Francisco, CA 94105

Re: PSA

Dear [REDACTED]:

Further to our several exchanges on the above captioned subject, we have not yet received a clear answer to our inquiry as to whom the parties are that AON has or has had PSA arrangements with and the nature of the PSAs. Your office recently provided conflicting information as to past and current PSA arrangements. AON needs to clarify this information in order for full and fair compliance with our Reinsurance Partner Code of Conduct.

Please provide this information promptly in order to avoid jeopardizing our long standing positive working relationship.

Sincerely,

FILE COPY

[REDACTED]
Reinsurance &
Catastrophe Management

CONFIDENTIAL
RLI 001130



Reinsurance Services

September 23, 2004

VIA OVERNIGHT MAIL

[REDACTED]
[REDACTED]
RLI Insurance Company
9025 North Lindbergh Drive
Peoria, Illinois 61615

COMPENSATION FOR SERVICES TO UNDERWRITERS

Dear [REDACTED]

As a follow up to your request please be advised as follows:

Aon Re has in the past maintained, and currently maintains, agreements with certain reinsurers traditionally referred to as contingents and overrides. Such agreements require Aon Re to perform certain services and activities and are more commonly termed compensation for services to underwriters agreements ("CSUs"). The agreements are not client specific, but are based upon various qualitative and quantitative measures and activities. Many of these measures focus on services and cost efficiencies that benefit all parties. For more information regarding these agreements, please see our website at www.aon.com/about/csu.

While reinsurance premium volume can be the measurement vehicle under many of these agreements, payments can relate to services and activities rendered to and for the reinsurer such as pre and post-placement technical services, contract design and review, contract issuance, research and development efforts, and other underwriting platform and claim analysis and review services.

Attempts to break out a particular client's portion of the service fee from the volume of business placed over a particular timeframe with a reinsurer can prove difficult. Typical complications include:

1. The client's policy period with a particular reinsurer may not match the period of time in which overall loss experience, volume or services were being determined for service fee calculation.
2. Loss or profitability provisions in some agreements can result in current or future period reduction or elimination of payment.
3. Service fee elements referred to above, which normally utilize premium as the measurement vehicle are either non-client specific or the value of services rendered for the insurer are difficult to assign to particular insureds.

Page 2

September 23, 2004

Aon Re Inc.
Reinsurance Services

However, while these issues make precise calculation difficult, we have endeavored to provide our best estimate.

We can advise with respect to RLI's reinsurance programs currently brokered and serviced by Aon Re, there are two reinsurers with whom we maintain CSUs, namely [REDACTED] and the reinsurance operations of Endurance Specialty Holdings Ltd. ("Endurance Re"). Under the agreement with [REDACTED], Aon Re received an up-front payment on inception in 2002, of which approximately \$3,300 is indirectly attributable to RLI Corp. based on its proportionate share of premium volume paid to [REDACTED] on all Aon Re placements in 2002. Since then, we have received no further fees from [REDACTED] under that agreement which could be attributable to RLI business, nor do we expect to receive a payment with respect to the current year. The CSU with Endurance Re became effective in January 2004, and although fees under that agreement are determined based on certain benchmarks achieved with Endurance Re during 2004, Aon Re does not expect to receive a payment until 2005 with respect to the 2004 agreement year. Given timing and other uncertainties, any portion of such fees related to RLI Corp.'s business is impossible to compute at this time.

In addition, as previously disclosed, Aon Re was a party to expired or terminated CSU's with two reinsurers that participated on RLI's reinsurance programs while those agreements were in effect, namely Kemper/GE Re, which expired on 12/31/99; and [REDACTED], which expired 9/30/03.

If you need more information, please call me.

Best Regards,

Yours sincerely,

[REDACTED]

Senior Vice President

[REDACTED]:cr
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cc: David M. Kelley

CONFIDENTIAL
RLI 001137



Reinsurance Services

PLACEMENT SERVICES AGREEMENT

THIS PLACEMENT SERVICES AGREEMENT ("Agreement") is between Aon Re Worldwide ("AON"), a Delaware Corporation with its principal offices at 200 East Randolph Street, Chicago, Illinois, 60601 and [REDACTED], a Delaware Corporation, through its division [REDACTED] ("Party"), with its principal offices at [REDACTED] New Jersey, 08543. Hereinafter, AON and [REDACTED] may be referred to, individually or collectively, as the "Party" or "Parties".

WHEREAS, AON wishes to provide certain placement services to [REDACTED], through [REDACTED] Broker Market, and [REDACTED] wishes to retain AON to perform such services under the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. **TERM.** This Agreement shall apply to Eligible Business placed by AON with [REDACTED] coming effective on or after December 1, 2002 (the "Effective Date") and through November 30, 2004 (the "Term"). This Agreement shall automatically renew for consecutive one-year periods unless terminated in accordance with Section 9 of this Agreement.
2. **SERVICES.** In consideration of the Fees described herein, AON shall perform the following placement services (the "Services") for [REDACTED]:
 - a) AON will present to [REDACTED] opportunities to achieve growth in gross written premiums by providing market access to AON's United States and Bermuda reinsurance operations.
 - b) AON will provide to [REDACTED] high quality submissions for reinsurance, thereby facilitating efficient underwriting and pricing.
 - c) AON will use its best efforts to present to [REDACTED] all reinsurance placements presented to the market and shall use its best efforts to secure preferential signings on placements that [REDACTED] has authorized. Notwithstanding the foregoing, AON will be under no obligation to present to [REDACTED] any reinsurance placements which would violate AON's obligations under any valid non-disclosure agreement or which would violate any other valid written agreements between AON and its clients, and under no obligation to present business which has been specifically directed to other markets by AON's clients, or which AON has been asked by its clients to specifically not show to [REDACTED].

- d) AON will provide market feedback relating to [REDACTED]'s cost of product, overall service capacity and claims administration.

3. ELIGIBLE BUSINESS.

- a) In consideration of the performance of the Services, AON is eligible to receive Placement Service Agreement Fees ("PSA Fees") (as defined in Section 4 below) on accounts placed directly with [REDACTED] ("Eligible Business"). PSA Fees shall apply to all new and renewal business placed with [REDACTED].
- b) Eligible Business shall not include any business written by any other [REDACTED] subsidiary through AON during a Term Year.
- c) Eligible Business shall not include any business placed through AON with any other division of [REDACTED] prior to or during any Term Year that is subsequently transferred to [REDACTED]. Notwithstanding the above, any such business will be considered Eligible Business for the following Term Year for purposes of calculating Term Year Growth.
- d) Payments hereunder are referred to as "PSA Fees" and shall be in addition to, and not in lieu of, brokerage payments negotiated and agreed to between AON and [REDACTED].

4. CALCULATION OF PSA FEES.

- a) PSA Fees shall be calculated as follows and shall be payable as set forth in Subsection (c) below.
- i. The difference of the Gross Written Premiums ("GWP") (as defined herein) for the current Term Year and the prior Term Year shall determine the percent of actual growth. The percent of actual growth determines the PSA Fee to be paid for GWP increases per Subsection (d) below;
- ii. The total PSA Fee to be paid per Term year shall be the PSA Fee percent (as determined by Term Year growth in (i) above) multiplied by the actual/customary brokerage paid on GWP for the current Term Year.
- b) GWP shall mean all GWP on Eligible Business placed through the United States and Bermuda offices of AON and actually booked by [REDACTED] during a Term Year. Term Year shall mean each period of a year beginning with December 1, 2002 through November 30, 2003 as the First Term Year, and December 1, 2003 through November 30, 2004 as the Second Term Year, and so on throughout the duration of this Agreement. For calculation purposes, the period December 1, 2001 through November 30, 2002 (the "Baseline Term Year") shall be used to calculate growth for the First Term Year.
- c) [REDACTED] will prepare annual PSA Fee statements no more than 60 days after the end of each Term Year and will pay the PSA Fees, if any, within 30 days of the completion of preparation of the PSA Fee statements.
- d) Schedule of PSA Fees.

- i. For Term Year Growth of 0% but less than 4.99%, a PSA Fee of 0% will be paid;
 - ii. For Term Year Growth of 5% but less than 9.99%, a PSA Fee of 6% will be paid;
 - iii. For Term Year Growth of 10% but less than 19.99%, a PSA Fee of 8% will be paid;
 - iv. For Term Year Growth of 20% but less than 29.99%, a PSA Fee of 10% will be paid;
 - v. For Term Year Growth of 30% or greater, a PSA Fee of 20% will be paid.
 - e) For calculation purposes, all numbers used shall be those actually booked by ~~XXXXX~~ Broker Market in a Term Year. On Finite Risk business, the GWP used will be ~~XXXXX~~'s margin.
 - f) In no event shall any PSA Fees be paid to AON in the event of a reduction in Gross Written Premiums for Eligible Business during any Term Year.
5. **BROKERAGE FEE.** ~~XXXXX~~ will pay an additional flat brokerage fee (the "Brokerage Fee") to AON of \$300,000 (U.S. Dollars) on July 1, 2003 for the First Term Year of this Agreement. A Brokerage Fee will be paid for the Second Term Year of \$450,000, but only in the event that GWP Growth for the Second Term Year exceeds 50%. Such Second Term Year Brokerage Fee, if any, will be paid on July 1, 2004.
6. **TAXES.** ~~XXXXX~~ shall be under no obligation to withhold or remit any taxes in respect of the PSA Fees.
7. **NO NON-COMPETE RESTRICTION.** AON represents that it is not currently, nor during the Term of this Agreement will become, subject to any non-competition agreement with third parties with respect to the services described in Section 2 of this Agreement that would prevent AON from performing those services required of it hereunder, and that the performance of services by AON pursuant to this Agreement will not violate any covenants or agreements or nondisclosure obligations between AON and any third party.
8. **CONFIDENTIALITY.**
- a) Each Party to this Agreement together with its directors, officers, employees, agents or representatives (collectively "Representatives") shall treat as confidential any Confidential Information received. Confidential Information includes the terms and conditions of this Agreement, underwriting guidelines and/or strategy, sample policies, and loss information. Confidential Information also includes the existence of this Agreement. The Parties agree to keep confidential any Confidential Information received, provided, however, that (i) any of such information may be disclosed to its Representatives, including specifically its auditors, accountants, lawyers and retrocessionaires, who need to know such information, (ii) such information may be disclosed if required by law or regulation, and (iii) any other disclosure of such information may be made if the Party providing the Confidential Information, consents to such disclosures in advance in writing. Each Party shall make all reasonable, necessary and appropriate efforts to safeguard the Confidential Information from disclosure to anyone other than as permitted herein. The term

Confidential Information does not include information which: (i) was, is, or becomes generally available to the public; (ii) is known to the Party at the time of its receipt hereunder; (iii) was developed independently without violation of any confidentiality or fiduciary obligation to the disclosing party; or (iv) is furnished by a third party having a bona fide right to do so and no confidentiality obligation to the disclosing party.

- b) The terms and conditions of this Section 8 shall remain in full force and effect and shall survive termination of this Agreement.

9. RIGHT TO TERMINATE.

- a) Either party may terminate this Agreement as of November 30, 2004, or at the end of any subsequent Term Year upon 90 days prior written notice to the other party
- b) Either party may terminate this Agreement immediately upon written notice to the other party in the event of a breach of the warranties or obligations set forth in Sections 7, 8 and 10 hereof.
- c) Notwithstanding the termination of this Agreement, the terms and conditions of this Agreement will continue to apply to all business placed hereunder to the extent that all obligations and liabilities incurred by each party hereunder will be performed and discharged fully.

10. COMPLIANCE WITH LAW. Each Party represents and warrants that it is in compliance with applicable State and Federal laws. AON specifically warrants that it now has and shall maintain during the term of this Agreement, all licenses necessary to conduct the business described in this Agreement. If any license held by AON and necessary to providing services hereunder expires or terminates for any reason, AON shall immediately notify ██████, and this Agreement may be immediately terminated by ██████ in accordance with Section 9 of this Agreement.

11. INDEMNIFICATION.

- a) Each party (the "Indemnifying Party"), on behalf of itself and its successors and assigns, hereby agrees to indemnify and hold the other party, its affiliates and subsidiaries, as well as the officers, directors, employees and agents (the "Indemnified Party"), harmless against any liability, including but not limited to, damages, losses, fines, penalties, judgments or demands, and reasonable costs and expenses of whatsoever kind including but not limited to, fees and disbursements of counsel, which any Indemnified Party is or may be held liable to pay arising out of: (i) this Agreement, or (ii) the failure to comply with any obligations imposed by any law or regulation regarding the payment or disclosure of the PSA Fees.
- b) The terms and conditions of this Section 11 shall remain in full force and effect and shall survive termination of this Agreement.

12. MISCELLANEOUS PROVISIONS.

- a) Non-Assignment. This Agreement shall not be assigned by either Party without the prior written consent of the other Party.

- b) **Severable Provisions.** The provisions of this Agreement shall be severable and if any of the provisions hereof are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law.
- c) **Governing Law.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of New Jersey regardless of the choice of law principles of New Jersey or any other jurisdiction.
- d) **Entire Agreement.** This Agreement shall constitute the entire agreement between the Parties concerning the subject matter hereof and there are no other agreements concerning the subject matter hereof, either oral or written. Notwithstanding the foregoing, this Agreement supercedes any agreements heretofore existing between the Parties on the subject matter hereof.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date(s) shown below, to be effective as of the date set forth in Section 1 above.

By: [Redacted]
Name: [Redacted]
Title: SVP [Redacted]
Date: 1/8/03

AON RE WORLDWIDE
By: [Redacted]
Name: [Redacted]
Title: [Redacted]
Date: 12-23-02

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Appendix

A. Resumes of Aon Consulting Proposed Team Members
B. Sample RTS Publications
C. <u>US@Work</u> Study

A. Overview

Aon Consulting welcomes the opportunity to partner with [REDACTED] as your employee benefits broker/consultant. By combining services from our health & welfare unit in Costa Mesa and our international, communications and retirement consulting practices in Los Angeles, we are confident Aon Consulting is uniquely positioned to provide [REDACTED] employee benefit and human resource support services.

Aon currently provides employee benefit services to a wide variety of employers, many that have been clients for many years. This includes many California based, national and international firms, including the diverse large Orange County employers listed below.

- [REDACTED]

Our objective is to support [REDACTED] in the achievement of both your employee benefit and broader human resources objectives. Particular emphasis will be placed on developing short and long-term work-plans covering your employee benefit programs that take into account the following:

- [REDACTED]'s employee benefits design and budget objectives
- [REDACTED]'s recruiting and retention objectives in the U.S. and throughout the world
- [REDACTED]'s specific benefit plan experience and trends
- Relevant industry developments in the U.S. and throughout the world
- Relevant benefits legislation at the state, national and international levels

Once we understand your objectives and any external factors that impact your employee benefit decisions, we will continue to maintain proactive dialogue to ensure that our services continue to meet your stated objectives.

B. Why Aon Consulting?

As the human resources function has migrated from an administrative to a strategic role within organizations, our vision is to become the strategic business partner of choice for our clients. In this role we develop creative, customized employee benefit solutions to help our clients meet the changing demands on their business.

To help [REDACTED] better link your people strategies with your business strategies, we believe Aon Consulting provides some key competitive advantages, including:

- An experienced service team with proven national and international account experience
 - Established health & welfare, international, communication and retirement employee benefit practices in Orange and Los Angeles Counties
 - Support of a national network of employee benefit consulting offices
 - Extensive experience with clients of similar size and employee demographics
 - Bilingual service team members (English/Spanish)
 - Full access to Aon Consulting's company wide "toolbox" (not restrained by business segment or client size)
 - Unrestricted access to our Infolinx proprietary databases for compliance support and benchmarking
 - Direct access to our national research & technical services staff (RTS)
 - A desire to help [REDACTED] meet your employee benefit objectives
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C. Aon's Proposed Service Team

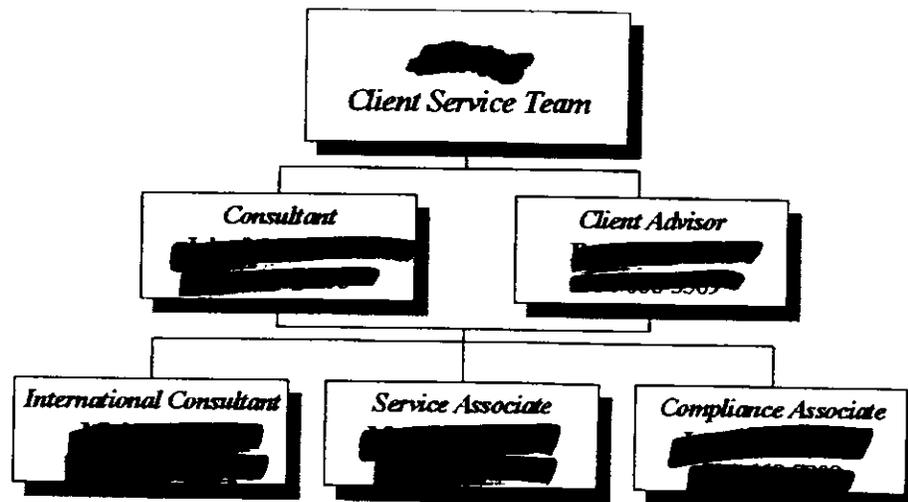
To provide the level of service necessary in today's rapidly changing work environment, a team of consultants, specialists and support staff is assigned to each Aon client. Our goal is to select team members with experience and expertise that match the assessed needs of the client.

Our experience shows the team approach provides fresh approaches to problem solving. By developing diverse service teams, we are able to analyze and tackle issues from many different perspectives, providing our clients the broadest possible solutions.

Our "team oriented" approach to client service is based on the fact our:

- Team members value a coordinated client focus and team work
- Team members are adaptable while maintaining a clear business focus
- Team members are responsible and accountable for their quality of work
- Team members are responsible and accountable for their overall client service

Our proposed primary service team for [REDACTED] includes:



D. Employee Benefit Consulting Services Outline



This section of our proposal provides an outline of the employee benefit services we anticipate providing to [REDACTED]. These services will cover both the U.S. based benefit programs and the international benefit programs/services.

Marketing Services

- Prepare and distribute specifications for marketing of carriers, administrators and other employee benefit plan vendors.
- Complete the competitive analysis of proposals and present a consolidated marketing report, including recommendations and appropriate action steps.

Contractual Provisions

- Review summary plan descriptions, benefit plan documents and vendor contract language for completeness and accuracy.
- Advise of any plan modifications needed to bring current contracts into compliance with legislative changes.

Plan Design

- Provide benchmarking data regarding plan design and structure of similar companies.
- Assist with benefit plan design modifications including pricing and assessment of the cost/rate impact of the changes and options under review.
- Identify managed care initiatives, measure their effectiveness, and assist with implementation. This includes evaluation of alternative delivery systems and vendors.

Compliance Services

- Prepare required governmental filings and disclosure documents (Forms 5500)
 - Advise of any plan modifications needed to bring current contracts into compliance with legislative changes.
 - Monitor legislative and regulatory changes affecting benefit plans.
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Financial Monitoring & Reporting

- Use market leverage to negotiate the most competitive contracts at each renewal.
- Analyze available utilization data and report findings, trends and emerging issues, including recommendations for future changes, as appropriate.
- Provide financial benchmarking data to better evaluate plan cost relative to the marketplace and/or industry specific competitors.

Administration Support

- Clarify and coordinate vendor performance including establishing and monitoring performance benchmarks.
- Act as an advocate for [REDACTED] and your employees in resolving claims and eligibility issues with carriers.

Client Support Services

- Assist with day-to-day administrative issues.
- Coordinate and conduct employee education meetings at open enrollment and throughout the year as needed.
- Attend benefit administration, financial and other service support meetings at the client's request.
- Assist in the development and preparation of employee benefits communication materials.
- Provide a "Summary of Coverage" binder for daily client reference

Evaluate Marketplace Trends

- Provide regular bulletins and reports on benefit topics and legislation.
 - Review and report marketplace trends impacting benefit plans as well as other human resource issues.
 - Assure [REDACTED] is current on workplace trends impacting employee morale, recruiting and retention, such as wellness initiatives, discount purchase programs, etc.
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E. Compensation

Aon Consulting is flexible in how we are compensated. Our goal is to develop a compensation model that best fits the client's internal payment structure, or preferences.

We currently provide client services under the following compensation options:

- Straight brokerage commissions
- Fixed monthly fees per covered employee
- Fixed monthly or annual retainers (paid via commissions and/or fee billings)
- Straight hourly fees (hourly rates times the actual hours worked)

██████████ currently receives brokerage services on a commission basis, a practice you have expressed a desire to continue, while expanding the scope of services you receive.

Based on the information we have available to review (historic Form 5500 filings), we believe ██████████ is currently paying between \$125,000 to \$150,000 in commissions on your medical, dental, life and disability benefit programs. Using this figure as a starting point, we are willing to provide the services outlined under the following compensation outline:

- Aon will be assigned the broker of record on ██████████'s current medical, dental, life and disability benefit plans;
- The total commissions paid by ██████████ under these benefit programs is still at least \$125,000 per contract year;
- Aon will provide full-service health and welfare consulting services to ██████████; and
- Aon will provide up to \$50,000 of international consulting services to ██████████ during the initial contract year.

Aon will provide ██████████ a summary on a semi-annual basis, outlining our actual service time compared to the actual commissions received. If the actual service time exceeds the commissions paid (with international capped at \$50,000), Aon will not bill ██████████ for the additional time. If the actual service time is less than the commissions paid, ██████████ will be able to apply these additional amounts toward the purchase of additional consulting services.

Our goal is to provide complete health and welfare services to ██████████, while at the same time providing extensive budget for international consulting work, something currently completed outside of your brokerage agreement. We believe this approach significantly expands the scope of employee benefit service support ██████████ receives, without any increase in the current brokerage charges.

We are hopeful this compensation outline demonstrates our interest in developing a long-term business partnership with ██████████.