

**SECOND REPORT OF EXAMINER**

**TO**

**NEW YORK STATE INSURANCE DEPARTMENT**

**COMPLIANCE EXAMINATION OF  
WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC.**

**RESPECTING**

**ASSURANCE OF DISCONTINUANCE PURSUANT TO EXECUTIVE LAW §63(15) BETWEEN THE  
ATTORNEY GENERAL OF THE STATE OF NEW YORK AND WILLIS GROUP HOLDINGS LTD., WILLIS  
NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC. DATED APRIL 7, 2005**

**AND**

**STIPULATION BETWEEN THE SUPERINTENDENT OF INSURANCE OF THE STATE OF NEW YORK,  
AND WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK,  
INC. DATED APRIL 7, 2005**

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**December 30, 2009**

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## REFERENCES

	<b>Assurance of Discontinuance</b>	<b>Report of Compliance</b>
Establish \$50 million Settlement Fund.	Paragraph 1	N/A
Calculate amount for each eligible policyholder.	Paragraph 2	N/A
File report with Attorney General & Superintendent with detailed information per eligible policyholder.	Paragraph 2	N/A
Send approved notice with detailed information to eligible policyholders.	Paragraph 2	N/A
Eligible policyholders must request distribution.	Paragraph 3	N/A
Eligible policyholders must sign release form.	Paragraph 3	N/A
Pay participating policyholders share of Settlement Fund.	Paragraph 6	Page 6
Non-participating policyholders' share of Settlement Fund can be used to satisfy any claims relating to matters covered in Agreement.	Paragraph 3	Page 6
Distribution should not be made from the Settlement Fund to any other policyholder until all participating policyholders have been paid initial amount due.	Paragraph 3	Page 6
Total payments from the Settlement Fund to any non-participating policyholder should not exceed 80% of their original allocated share.	Paragraph 3	Page 6
Settlement Fund remaining at April 1, 2006 can be distributed as outlined in the AOD.	Paragraph 5	Page 6
Settlement Fund cannot be used to pay attorney fees.	Paragraph 4	Page 6
File a report listing all amounts paid from the Settlement Fund.	Paragraph 5	N/A
Business Reform: Permissible Forms of Compensation	Paragraphs 7-8	Page 11
Business Reform: Prohibition of Contingent Compensation	Paragraph 9	Page 11
Business Reform: Prohibition of "Pay-to-Play" Arrangements	Paragraph 10	Page 11
Business Reform: Prohibition of "Bid-Rigging" Arrangements	Paragraph 11	Page 11
Business Reform: Prohibition of Reinsurance Brokerage Leveraging	Paragraph 12	Page 11
Business Reform: Prohibition of Inappropriate Use of Wholesalers	Paragraph 13	Page 11
Business Reform: Mandated Disclosures to Clients	Paragraph 14	Pages 11& 19
Business Reform: Standards of Conduct and Training	Paragraphs 15	Pages 11 & 16
Business Reform: Prohibition Against Violating New York Law	Paragraph 17	Page 11
Business Reform: Limitation on Extraterritorial Effect	Paragraph 21	Page 11

	<b>Assurance of Discontinuance</b>	<b>Report of Compliance</b>
Establish a Compliance Committee of the Board of Directors.	Paragraph 22	Pages 26 & 32-33
Report of Complaints to Compliance Committee quarterly and annually to the Superintendent.	Paragraph 20	Page 24
Maintain a record of all client compensation complaints.	Paragraph 19	Page 24

## I. OVERVIEW

The New York State Insurance Department (“the Insurance Department” or “NYSID”) retained the services of RSM McGladrey, Inc. (“RSM McGladrey”) to conduct a review of activities regarding producer compensation practices of Willis Group Holdings Ltd, Willis North America Inc., and Willis of New York, Inc. (collectively, “Willis” or “the Company”). RSM McGladrey was engaged to monitor and test Willis’ compliance with the Assurance of Discontinuance between the Attorney General of the State of New York (“NYAG”) and Willis, dated April 7, 2005, as amended (“AOD”) and the Stipulation with NYSID, dated April 8, 2005 (the “Stipulation”), as amended. Copies of the AOD and Stipulation are annexed to this Report at Appendix A and B. Both the AOD and Stipulation contain identical provisions regarding the business reforms that are the subject of this examination. For ease of reference, both the AOD and Stipulation will be referred to collectively as the “AOD.”

RSM McGladrey conducted an initial examination of Willis for the period June 6, 2005 through June 6, 2007. The results of that examination were set forth in a report issued March 28, 2008, annexed hereto at Appendix G. That report will be referred to herein as the “March 28, 2008 Report”. This second examination covers the period from June 7, 2007 to September 30, 2008.

### A. Assurance of Discontinuance

#### 1. Investigation by the New York Attorney General and Superintendent of Insurance

The Attorney General and the Superintendent alleged that Willis “unlawfully deceived its clients by (a) steering client’s insurance business to favored insurance companies, (b) unnecessarily running business through its wholly owned wholesaler, Stewart Smith, and (c) leveraging its retail brokerage business in order to obtain reinsurance brokerage business.” AOD par. 23.

#### 2. Terms of the Assurance of Discontinuance

The AOD required the establishment of a \$50 million Settlement Fund which was distributed in 2006 to participating policyholders. Additionally, the AOD outlined the following business reforms: a) permissible forms of compensation, b) prohibition of contingent compensation, c) prohibition of “pay-to-play” arrangements, d) prohibition of “bid-rigging” arrangements, e) prohibition of reinsurance brokerage leveraging, f) prohibition of inappropriate use of wholesalers, g) mandated disclosures to clients, h) standards of conduct and training, i) prohibitions against violating New York and federal laws, and j) establishment of compliance and complaint monitoring procedures.

Willis initially took the position that the AOD did not apply to reinsurance or surety lines of business. This was contrary to the NYAG and NYSID’s interpretation of the AOD. Following discussions in 2007 and 2008 with NYSID and the NYAG regarding this difference in interpretation, Willis agreed to apply the provisions of the AOD to the Reinsurance and Surety lines of business prospectively. Willis reviewed processes for these business units and concluded that the AOD principles of transparency, consent and disclosure are in place. Willis has applied the consent to compensation and annual disclosure statement procedures to both Surety and Reinsurance, but not in a timely or complete manner. Willis stated that no contingent commissions were received in connection with its Reinsurance business during the period 2001 – 2004. RSM McGladrey did not perform testing procedures to validate this statement. Contingent commissions were received

during this period on Surety business, and were included in the calculation of the Settlement Fund distribution. Neither business unit accepted contingent commissions during the examination period.

## **B. Amendments to the Assurance of Discontinuance**

Subsequent to the signing of the AOD on April 7, 2005, four separate amendments have been executed to clarify the application of various provisions of the AOD to certain Willis businesses and practices, one of which was executed during the examination period covered by this report. Key issues addressed in the amendments include: the timeframe for satisfying the terms of the AOD, clarification concerning permissible forms of compensation when the Company serves in the capacity of a managing general agent or underwriting manager for a carrier, and the timeframe in which Willis is permitted to phase out the receipt of contingent commissions in connection with the acquisition of a broker which is not prohibited from accepting contingent commissions at the time of acquisition. Copies of Amendments are annexed to this Report at Appendix C. The New York State Insurance Department issued a Letter of Agreement dated November 18, 2008 to Willis permitting the mailing of an Opt-In Notice in lieu of mailing annual client compensation disclosure statements for 2006-2008.

## **C. Purpose of the Examination**

Pursuant to the terms of the AOD, Willis is subject to annual examination by NYSID for a period of five years beginning in 2005.

The purpose of this examination is to validate Willis' compliance with the AOD and to perform targeted testing procedures of the policies and procedures. The period covered by this examination is from June 7, 2007 to September 30, 2008. Subsequent to this examination period, Willis acquired Hilb, Rogal and Hobbs (HRH) and implemented additional compliance procedures in connection with the requirements of the AOD. These new procedures have not been tested and will be the subject of the next examination.

## **D. Summary of Findings**

Willis has made several improvements since the March 28, 2008 Report to address the requirements of the AOD. Willis has strengthened procedures surrounding the early disclosure of quotes and indications to the client. The Company has implemented processes to assure that contingent commissions are not accepted and are returned if inadvertently received from carriers. Willis has also implemented policies and procedures to prevent pay-to-play arrangements, bid-rigging, steering, reinsurance leveraging or the inappropriate use of affiliated wholesalers. The policies and procedures implemented by Willis to prevent these practices were evaluated, select employees at three offices visited during the examination were interviewed, and a limited sample of placement files was tested. There was no indication that Willis was involved in any of these practices.

While overall the Company's policies and procedures are reasonably compliant with the business reforms dictated by the AOD, there are several areas that still require improvement to assure better compliance with the AOD. These areas -- training, procedures for identifying and reporting compensation-related complaints, and procedures for monitoring gifts and entertainment -- are identified and discussed in this Report.

## **II. BACKGROUND ON WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA, INC. AND WILLIS OF NEW YORK, INC.**

Willis provides a broad range of risk management, consulting, reinsurance and insurance brokerage services to a diverse base of clients internationally. Willis provides specialized risk management advisory and other services on a global basis to client in various industries, including aerospace, marine, energy, and construction. In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping client determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers throughout the Company's global distribution network.

On October 1, 2008, Willis acquired Hilb Rogal & Hobbs, one of the largest insurance and risk management intermediaries in North America. Willis HRH, the North American arm of Willis Group Holdings, is in 210 locations in North America, up from Willis' 70 locations previously. Worldwide, Willis has approximately 20,000 employees in 400 offices in 100 countries.

Revenue for the years ended December 31, 2008 and 2007 was \$2,834 million and \$2,578 million, respectively.

### III. PROCEDURES FOR SETTLEMENT FUND DISTRIBUTION

#### A. Overview

Willis earned an estimated \$93 million of contingent commission revenue from placing, renewing, consulting or servicing insurance policies with inception or renewal dates from January 1, 2001 through December 31, 2004. The \$50 million Settlement Fund amount was established through negotiations among Willis, the NYAG and NYSID. According to Willis management, all contingent commission agreements in the United States were discontinued effective October 2004, while outside the US, they were discontinued as of December 31, 2004, and any subsequent receipts were returned to carriers. The compilation, calculation, notification and payment process for the distribution of the Settlement Fund required by the AOD began in June 2005 and were completed in March 2006.

#### B. Company Procedures

##### Settlement Fund Distribution Process

The Willis Settlement Fund payments were completed on March 6, 2006. The balance remaining in the fund as of the last examination report was approximately \$116,000. During 2008, Willis attempted to reissue any outstanding checks in excess of \$5,000. The remaining balance in the Settlement Fund is approximately \$107,000, which represents all outstanding distribution checks.

#### C. Compliance with Recommendations in the March 28, 2008 Report

The Company provided the status of actions taken in response to the findings included in the March 28, 2008 Report. RSM McGladrey reviewed the responses and conducted testing where appropriate to determine if the findings and recommendations were adequately addressed by the Company during the current examination period.

A summary of the findings and recommendations included in the March 28, 2008 Report regarding the Settlement Fund is as follows:

##### Separation of Funds (Page 8 from the March 28, 2008 Report)

In the March 28, 2008 Report, RSM McGladrey noted that the remaining balance of uncashed Settlement Fund distributions was transferred into an interest bearing Willis bank account that was commingled with other Willis funds.

##### Recommendation

It was recommended that Willis segregate the remaining funds from Willis' general funds until the checks were presented by clients or escheated to the state as abandoned property.

##### Management Response

In response to this recommendation, Willis indicated that it is researching how to address the remaining funds, including potentially using these funds to settle other claims.

Current Status

The recommendation was not implemented. The Fund balance has not been segregated and Willis has continued to earn interest on the remaining funds throughout the examination period.

Uncashed Checks (Page 8 from the March 28, 2008 Report)

In the March 28, 2008 Report, RSM McGladrey noted that Willis had no further plans to contact participants who had not cashed their settlement checks at the time of the examination.

Recommendation

It was recommended that Willis contact all individuals, in writing, an additional time prior to escheating funds to the state in a good faith effort to disburse the funds.

Management Response

Willis contacted policyholders with checks outstanding in excess of \$5,000, of which there were three.

Current Status

Of the three clients contacted, one check was able to be reissued and was presented for payment. RSM McGladrey tested Willis' follow-up procedures by examining the process used to reissue one of the checks in excess of \$5,000.

**D. Review and Significant Observations**

Approximately \$107,000 in Settlement Fund checks remains uncashed by approximately one percent of the 34,000 original participating policyholders as of the date of this examination. While management indicated that efforts were made to reduce this outstanding amount, additional efforts are needed to contact participating policyholders of uncashed Settlement Fund checks. No additional funding or distributions were made during this examination period. Testing procedures were limited to a review of the status of the March 28, 2008 Report findings. Willis filed a tax return for the year ended December 31, 2007, which Willis indicated was the final tax return and also indicated the dissolution of the Fund. The Company should file an amended Settlement Fund tax return if so required.

**E. Summary**

As of the date of this Report, all Settlement Fund distribution checks have been issued and more than 99% of these checks have been presented to the bank. As noted above, the recommendations in the March 28, 2008 Report were not fully implemented. RSM McGladrey again recommends that the remaining Fund balance, which represents uncashed checks, should be segregated and transferred from the Willis Corporate account into a separate Settlement Fund account as a settlement obligation to participating policyholders. Remaining funds should not continue to earn interest and should be segregated and escheated to the appropriate state government agency as abandoned property under New York abandoned property laws.

## IV. COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES

### A. Overview

The AOD requires that “Willis in placing, renewing, consulting on or servicing any insurance policy shall in writing: (a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Willis in connection with the coverage of the client’s risk with all terms, including but not limited to any Willis interest in or contractual agreements with any of the prospective insurers and all Compensation to be received by Willis for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurers or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client.” AOD par. 14.

In addition, the AOD prohibits Willis employees from accepting gifts of material value from insurers. Willis has a policy prohibiting the receipt of gifts from insurers in excess of \$100 and requires that Willis employees comply with this requirement. All employees are required to maintain a register of gifts received.

### B. Company Procedures

#### Disclosure

Willis has a placement process that includes internal controls to ensure that placements meet the standards of the Company and comply with the terms of the AOD. The process is known as the Willis Excellence Model (WEM). Compliance with WEM is compulsory and is enforced through compliance reviews and internal audits. The requirements of the AOD that relate specifically to the placement process have been incorporated into WEM. WEM requires disclosure of all quotes sought and received, including the compensation that Willis will receive, written consent to compensation, disclosure of use of a wholesaler, and delivery of a standard Terms of Business Agreement which contains, *inter alia*, disclosure of the fact that Willis will retain interest on premiums collected from clients.

The definition of acceptable revenues in WEM reflects the prohibition on contingent compensation contained in the AOD. Procedures exist to identify and return all contingent commissions received by the Company after October 1, 2004.

Effective January 1, 2009, Willis revised its consent to compensation process. A written consent form is no longer required to be obtained via a separate form. The revised process requires notification to the client that their written order to bind constitutes their selection of coverage and consent to the remuneration to Willis associated with such selection. Willis discussed this process with NYSID and NYAG.

#### Gift Policy

The Company provided a copy of the Company's policy manual that included Willis' gift policy. The Company indicated that the process implemented to adhere to the terms of the AOD included having each employee review Willis' gift policy and maintain a log of all gifts received from carriers. Annually, each employee is required to confirm his or her compliance with the provisions of the Gifts Policy as part of the annual compliance verification. Quarterly, each Managing Partner is required to complete the quarterly Control Risk Self Assessment which confirms that each employee of that office has complied with Willis policies and procedures, including the Gift Policy. Also, each employee is required to maintain a gift register, which is subject to review by Group Compliance personnel.

### **C. Compliance with Recommendations in the March 28, 2008 Report**

The Company provided the status of actions taken in response to the findings included in the March 28, 2008 Report. RSM McGladrey reviewed the responses and conducted testing where appropriate to determine if the findings and recommendations were adequately addressed by the Company during the current examination period.

A summary of the findings and recommendations included in the March 28, 2008 Report regarding Transactional Policies and Procedures is as follows:

#### Consent to Compensation (Page 11 from the March 28, 2008 Report)

The Willis global policy (included in WEM guidance) was not specific regarding when the client's Consent to Compensation needed to be received by Willis. In practice, the Company's process was to obtain the Consent to Compensation form prior to the policy effective date, not prior to binding as required by the terms of the AOD.

#### Recommendation

It was recommended that the Company apply a consistent procedure for timely disclosure and obtaining Consent to Compensation forms prior to binding coverage.

#### Management Response

The Company stated that it has a consistent practice of disclosing and receiving Consents.

#### Current Status

RSM McGladrey conducted a review of the process in place in the current examination. RSM McGladrey noted significant improvement in obtaining signed Consents during the current examination period.

Recording of Gifts (Page 10 from the March 28, 2008 Report)

Willis' recording process for gifts and entertainment was not consistently applied by each office. A sampling of offices disclosed a variance in the manner in which gift logs were maintained, the information included in the gift logs and variations in the method to validate that employees are in compliance with the policy.

Recommendations

It was recommended that Willis implement uniform policies that articulate the manner in which gift logs are maintained, the information included in the gift logs and the method to validate that employees were in compliance with the policy. Also, RSM McGladrey recommended that the Company develop a process which outlines corrective actions to be taken in the event that an employee does not comply with the policy.

Management Response

Willis stated that standard gift registers are now required and that any breach of the Gifts Policy is handled in accordance with Willis' standard disciplinary procedures.

Current Status

RSM McGladrey noted that Willis attempted to implement a standard recordkeeping process; however, testing results from the current examination period indicated the process was not consistently followed. The records provided by Willis were insufficient to demonstrate the business nature and who provided the gift or entertainment in several cases. Additional training on the completion of gift and entertainment records and reinforcement of the AOD requirements is recommended to ensure that prohibited forms of compensation such as gifts, entertainment, or anything of material value are not accepted from insurance carriers.

Gift and Entertainment Policy Monitoring (Page 11 from the March 28, 2008 Report)

Enhancements were needed to assure that the methods for tracking the receipt of gifts from insurers are consistently applied among offices.

Recommendations

It was recommended that a standard log be utilized by all employees to record gifts, meals and entertainment provided by insurers and a monitoring program should be standardized to assure that the same measurement tools are in place across the entire organization. Further, on an annual basis, RSM McGladrey recommended employees certify the information included in their log and submit them to their office leader to certify in writing that the review had been completed. Finally, it was recommended that the Group Compliance Department conduct an audit of the gift logs on an annual basis.

Management Response

Willis indicated that it implemented a standard gift log for all offices and stated a standardized monitoring program would be developed as part of the revised monitoring plan as a result of acquiring HRH. Willis stated that on an annual basis, employees must certify that they read the gift policy and maintained a gift log; in addition, office leaders certify compliance with all policies on Control Risk Self Assessment submissions. Willis indicated that the Willis monitoring plan does direct the Regional Compliance Officers to check on a sample basis gift registers during office visits.

### Current Status

RSM McGladrey testing indicated that the gift policy monitoring process was not consistently performed across the organization. RSM McGladrey noted that Willis implemented a process for employees to acknowledge receipt and understanding of the policy, but it did not include a certification of compliance and no follow-up procedures were established to address outstanding confirmations. The compliance acknowledgment process does not provide assurance that employees are complying with the terms of the AOD. Evidence of Control Risk Self Assessment confirmation was not available for review. While the policy states that the gift and entertainment records are subject to examination, there were no examinations performed or a defined process, training or guidance for performing such a review. There is also no formal requirement for office or business unit management or Regional Compliance Officers (RCOs) to review gift logs to ensure compliance on a periodic basis. In two of three office visits performed, there was no indication of any supervisory review of the gift logs.

### Placement Disclosure Process Consistency (Page 10 from the March 28, 2008 Report)

The placement files tested during the prior examination period, June 6, 2005 through June 6, 2007, revealed that the compensation disclosure process was not applied consistently throughout the Company; however more recent placements during the examination period indicated improvements. There were several areas in which standard protocols had not been applied and, as a result, documentation was inconsistent. There was limited evidence that the placement strategy had been communicated to the client. The documentation included in many files was a verbal call record, which is a written note from Willis staff regarding the approach discussed with a client. In some instances, the broker followed-up on calls in writing, but in most instances, the client did not receive any documentation to review. Additionally, the process of documenting that the file was reviewed by a peer was not consistently applied. File documentation of all quotes, declinations and non-responses did not comply in every instance with the Company's placement file policy. For approximately 53% of the placement files tested, the Company did not obtain the client's Consent to Compensation document prior to binding.

### Recommendations

It was recommended that the placement strategy be used to communicate and document instructions from clients that are relevant to the AOD, such as "last looks", bid/invitee list, sharing information with bidders, etc. It was also recommended that the Company apply a consistent procedure for timely disclosure, obtaining the Consent to Compensation form prior to binding for all lines of business and enhancing the process to enforce the timely receipt of consents to compensation through disciplinary action or the forfeiture of earned compensation.

### Management Response

Willis indicated that the Company's marketing protocols are delivered to clients annually and outline the placement/marketing strategy. Unless the client instructs otherwise, these protocols govern the marketing process.

#### Current Status

In the 20 placement files reviewed, certain aspects of the placement marketing strategy were not documented. In one placement file, a "last look" opportunity was provided to an incumbent carrier. Ultimately, the insurance was not placed with the incumbent. However, there was no written authorization from the client allowing Willis to provide a "last look" opportunity to the incumbent carrier. The Company's process for timely disclosure of quotes and obtaining Consents to Compensation improved from the previous examination. Our examination of twenty placement files indicated a lack of consistency in the file documentation and the WEM review process used by Willis to ensure AOD requirements were met. Transparency and disclosure documentation was evident in most files; however, there were instances where control procedures established to ensure uniform practices across all lines of business were not followed. This included the failure to use current checklists to establish that all client communications were documented and the "second pair of eyes" peer review was performed to ensure all quotes and indications were disclosed and the final order to bind was approved.

#### **D. Review and Significant Observations**

##### Disclosure

As stated in the previous section, a sample of twenty insurance placements made during the examination period were selected to verify that Willis policies for disclosing placement strategy were followed and that disclosure procedures complied with the AOD requirements. Testing encompassed the review of documentation evidencing the marketing strategy, marketing submission and quote proposal process, confirmation of binding and consent to compensation. The sample of files reviewed included several geographically dispersed retail offices that included various lines of business. A sample of Surety and Willis Re reinsurance transactions were included in the sample, as these transactions were not tested in the previous examination.

A part of the placement process includes reviewing quotes, declinations and non-responses received from carriers. As part of the WEM process and to assure compliance with the disclosure requirements of the AOD, the Company has a policy where each file is required to have a peer review of the quotes and indications prior to sending them to the client. The inclusion of this step in the placement process called the "second pair of eyes" review assures the disclosure of all pertinent information being presented to clients. The sample selected was also examined for disclosure of wholesaler and/or premium finance arrangements where applicable.

As noted in the March 28, 2008 Report, Willis agreed to apply the AOD to surety and reinsurance placements prospectively and stated that all necessary disclosure requirements were already in place. We noted that the surety and reinsurance WEM checklists in use did not include all of the AOD requirements.

Other areas reviewed relative to the terms of the AOD addressed whether Willis requested or accepted contingent commissions, was involved in pay-to-play arrangements, bid-rigging, steering, reinsurance leveraging or the inappropriate use of affiliated wholesalers. RSM McGladrey noted no evidence that Willis participated in any of these practices in the sample tested.

### Gift Policy

A judgmental sample of ten active employees during the examination period was selected to verify that they had completed their annual confirmation that they understood the Willis gift policy. There was no evidence that six of the ten employees selected had completed the confirmation process. The review revealed that the process does not require employees to certify whether they have complied with the gifts and entertainment policy, only that they acknowledge they have read the policy. Additionally, the 40% response rate indicates that there is an inadequate compliance monitoring process.

### Broker Email Search

An analysis of brokerage placement trends was performed to identify brokers with a large volume of business placed with certain insurance carriers. The email records for five selected brokers were obtained for the examination period to review for evidence of non-compliance with the requirements of the AOD. To narrow the population of emails to relevant items, an electronic search was performed on these emails to identify any statements that might be contrary to the business reforms outlined in the AOD. Additional email records and related attachments were reviewed to verify the context where potential noncompliant statements were identified. No instances of impropriety or non-compliance were identified in the sample.

## **E. Summary**

The policies and procedures incorporated into WEM are generally adequate to comply with the terms of the AOD. The process for documenting client marketing and placement strategy should be improved to fully document the client's intentions for marketing submissions, including renewal with incumbents, permitting "last looks," and use of wholesalers, among other client expectations.

The gifts and entertainment policy implemented by the Company in response to the AOD is adequate. However, monitoring of gift and entertainment policy compliance should be improved. The annual compliance confirmation process should include positive confirmation of compliance and follow-up procedures should be implemented for those employees who do not respond. We recommend that more formal procedures be established for advance approval of insurer/reinsurer-provided entertainment and periodic audits of gift registers.

Enhancements to existing training should be made to reinforce AOD requirements regarding the documentation of gifts or entertainment and to assure that consistent methods for approval and tracking the receipt of gifts, meals and entertainment provided by insurers/reinsurers are applied among offices and other business lines. We recommend that a periodic monitoring program, including an audit of gift registers, be implemented to assure that the same controls are in place across the entire organization, including a process for certifying compliance with the policy.

Overall, the policies and procedures that the Company has established are reasonably compliant with the business reforms required by the AOD.

## V. COMPLIANCE PROCEDURES – TRAINING

### A. Overview

The AOD requires that Willis provide training in business ethics, professional obligations, conflicts of interest, antitrust and trade practices compliance and recordkeeping. Following the launch of its Client Bill of Rights in November 2004, Willis conducted a series of training sessions after the AOD became effective. Training courses included the following: Delivering Transparency to Our Clients, the Client Engagement Guide, the Client Service Plan and the Client Advocacy Report. Willis maintains that these training courses were designed to implement the AOD while also maintaining established client communications required by Willis.

### B. Company Procedures

#### Training Courses

In the third quarter of 2006, Willis North America formally launched the New Associate Learning Program. This is the foundation of the training regimen at Willis. It is intended to be compulsory for all new employees and addresses the AOD Business Reforms, the Global Policy Manual, the Gifts Policy and the Willis Excellence Model (WEM).

The Company represents that any changes to compliance-related policies and/or procedures are incorporated into training presented by the Regional Compliance Officer prior to implementation. Once approved by Group Compliance, all training materials are posted to the Group Compliance website and are accessible to all Willis employees. Willis utilizes technology such as recorded webcasts and internet meetings to deliver training to employees when face-to-face meetings are impractical.

#### Monitoring

Ongoing training needs are customarily identified through the compliance monitoring process, including self-assessment file reviews, internal audit reports and by management.

Willis stated that attendance at all training sessions is required to be recorded in the PeopleSoft Human Resources system.

### C. Compliance with Recommendations in the March 28, 2008 Report

The Company provided the status of actions taken in response to the findings included in the March 28, 2008 Report. RSM McGladrey reviewed the responses and conducted testing where appropriate to determine if the findings and recommendations were adequately addressed by the Company during the current examination period.

A summary of the findings and recommendations included in the March 28, 2008 Report regarding Training is as follows:

Ongoing Training of AOD Requirements (Page 13 from the March 28, 2008 Report)

The Company presented the AOD business reforms to its employees in June 2005 and March 2006. Beginning in the third quarter of 2006, the Company included AOD business reforms training as part of a New Associate Learning program.

Recommendation

It was recommended that Willis implement training procedures and conduct AOD refresher training to reinforce the AOD requirements on an ongoing basis to remind staff of their compliance responsibilities.

Management Response

The Company indicated that it has added a separate code in PeopleSoft to track employee attendance at refresher training.

Current Status

The only refresher course is a WEM Refresher course, which does not adequately cover all aspects of the AOD. The Company had indicated that training of the AOD's requirements is included in the WEM training. A review of the WEM training materials used during the examination period disclosed that they do not adequately address all aspects of the AOD, such as compensation-related inquiries and complaints or gifts and entertainment. Although the training materials refer to the existence of the AOD, coverage is limited to reference to the AOD as the rationale behind performing certain steps in the placement and client disclosure process. Willis has not established a comprehensive AOD-related training program in that such training is not presented on a recurring and at least annual basis to provide assurance that personnel are adequately trained in the business reforms required by the AOD. In addition, the program does not include a means of identifying and continually evaluating AOD-specific training needs on a routine basis. It was also noted that the method used to communicate to employees any AOD-related updates and changes to policies and procedures (e.g., resulting from Amendments to the AOD and other modifications agreed upon with the regulators) is typically completed on a one-on-one basis or in a group setting. No formal training materials were retained and no record of attendance was maintained for these sessions.

Validation of Understanding of Course Content (Page 13 from the March 28, 2008 Report)

A review of Willis' processes revealed that the Company did not utilize tests or other procedures to validate individual employee/producer understanding of course content. The training information provided by the Company indicated that training needs were identified based on feedback from compliance monitoring and Internal Audit reviews. The evaluation of the employee's understanding of the training in this manner does not allow for timely results nor does it provide validation of the employee's understanding or assurance that the training objectives were met.

Recommendations

To promote understanding and comprehension of the training material, it was recommended that tests be developed for each course, including a requirement for a passing score, and completion by all participants. Additionally, it was recommended that escalation and enforcement policies be implemented to address employees who do not complete or pass the tests.

#### Management Response

Tests or other procedures were not utilized to validate individual employee understanding of course content, however, the Company anticipates inclusion of a test when online training is implemented in Q3 2009. The testing results for this examination period indicated that there was limited AOD-related training provided outside of the AOD training that was included in the New Associate Learning Program training. Willis stated that a process has been created to track new hires and escalate to management's attention those new relevant employees not attending training within 30 days of hire.

#### Current Status

The new process to be implemented in Q3 2009 to test for course understanding and to monitor consistency of new staff training will be tested in the next examination.

#### Monitoring of Training Attendance (Page 13 from the March 28, 2008 Report)

Attendance records were not consistently maintained and there was no process in place to identify employees who had not attended required training sessions. As such, there was no review of the centralized training records to identify employees who had not completed the required training. Testing disclosed personnel that had not attended any AOD training.

#### Recommendations

It was recommended that Willis institute a review process to ensure that all employees complete training on a timely basis and related attendance records be maintained as required by the AOD. Additional recommendations included the adoption of escalation and enforcement policies to address employees who fail to attend required training and the establishment of a baseline of achievement including a requirement for testing results.

#### Management Response

Willis indicated that attendance at training classes is being recorded in PeopleSoft and if an employee fails to attend a scheduled training, he or she is assigned to the next scheduled class.

#### Current Status

Training attendance for Willis employees is recorded in a PeopleSoft database. RSM McGladrey requested and reviewed a PeopleSoft report detailing all personnel employed by the Company during the examination period. A sample of 20 new hires during the examination period was selected from the report. The training attendance records in PeopleSoft were reviewed for each of the selected employees to determine if the required New Associate Learning (NAL) program training had been completed. The Examiners noted 11 of 20 (55%) new hires in the sample did not attend NAL or a similar program. Of the nine employees who attended the required training, four of those employees have training completion dates that range from eight to 38 weeks from their date of hire. Additionally, there was no follow-up process in place to identify new hires that did not complete the training and no enforcement of the training requirement.

A written policy requiring attendance at all AOD-related training programs does not exist. The Company does not follow-up with employees who do not attend required training within a reasonable period (30-45 days) after employment or within the designated training period. There is no ongoing process in place to monitor that employees fulfill their training requirements. The Company does not enforce the training requirement or discipline employees who do not attend training sessions. Additionally, there is no written communication to relevant employees upon employment that the AOD-specific training is required to be completed.

#### **D. Review and Significant Observations**

##### AOD Business Reforms Training Content

According to the Company, new relevant employees hired after Q2 2006 are to complete the New Associate Learning Program. A timeframe for completion of training has not been established. The program is intended to cover AOD-related topics, along with other topics. However, a review of the Program materials used during the examination period disclosed that coverage of the five required standards of conduct noted in the AOD is either insufficient or not addressed. The materials lack information or discussion of AOD-related topics such as definitions, explanations of Company policy and examples of violations of the standard, reporting of exceptions to the requirements and other guidance. The training materials provided by the Company do not include the definition of a compensation-related complaint nor does it include the reporting procedures for compensation-related complaints.

##### Implementation of AOD-Specific Training Program

Ongoing AOD-related training needs are identified through analysis and testing of certain targeted processes and activities, such as the Self-Assessment File Review (SAFR) process and Internal Audit Department reviews of local offices. It was noted however, that not all aspects of the AOD's requirements are included in such testing and analysis, such as review and testing of compensation-related complaint identification processes and the employee logs documenting gifts, meals, entertainment and other things of material value received from insurers/reinsurers.

#### **E. Summary**

Based on the results of testing, the process by which Willis trains its personnel and monitors attendance at the training on AOD requirements is not adequate to assure compliance with the terms of the AOD. The content of training materials does not provide adequate coverage of all required AOD subject matter and there is no process to evaluate AOD-specific training needs on a regular basis. The Company has yet to implement a process to perform formal refresher training to reinforce the AOD requirements on an ongoing basis.

It is recommended that Willis establish a comprehensive AOD-related training program that is presented timely to new hires and on at least an annual basis to established employees. The policies and procedures developed and implemented regarding AOD-related training are inadequate to be compliant with the terms of the AOD.

## VI. COMPLIANCE PROCEDURES – ANNUAL DISCLOSURE

### A. Overview

#### Annual Client Disclosure Requirements

The AOD requires that Willis, in placing, renewing, consulting on or servicing any insurance policy shall, in writing, “disclose to each client at the end of each year all compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client’s policy.” AOD par. 14.

#### Annual Report to Superintendent

The AOD requires Willis to file an annual report with the Superintendent that includes the amount of each form of compensation received by Willis from each insurer with which it placed insurance during the preceding year.

### B. Company Procedures

#### Annual Client Disclosure Statements

The annual client disclosure statement shows policy number, line of business and commission earned by Willis for each policy placed for the client. It also states the period covered by the statement and provides the client with the toll-free client assistance number, which they may call with questions or a complaint.

In 2008, Willis continued mailing annual client disclosure statements for 2006 and 2007 compensation. The annual client disclosure statement shows policy number, line of business and commission earned by Willis for each policy placed for the client. It also states the period covered by the statement and provides the client with the toll-free client assistance number, which they may call with questions or a complaint. As of December 15, 2008, Willis had mailed 96% and 71% of 2006 and 2007 Agency Bill statements, respectively. Also as of December 15, 2008, 100% and 97% of 2006 and 2007 Direct Bill and Employee Benefit statements, respectively, had been mailed.

The annual disclosure process has been revised to an Opt-In standard. As agreed with NYSID and NYAG, Willis is now required to send an Opt-In Notice to all clients annually. The Notice requires the client to return the Notice and “opt-in” in order to receive the annual statement. Upon receipt of an Opt-In Notice, the Annual Statement Team will produce the response containing all of the same information as previously included in the annual statements.

#### Annual Report to Superintendent

For the calendar year ending 2007, Willis was required to submit a report of their portion of any gross commissions received from a carrier, including contingent commissions.

In 2008, Willis reached an agreement with NYSID and NYAG that delivery of the Annual Report is no longer required.

### C. Status of Recommendations in the March 28, 2008 Report

The Company provided the status of actions taken in response to the findings included in the March 28, 2008 Report. RSM McGladrey reviewed the responses and conducted testing where appropriate to determine if the findings and recommendations were adequately addressed by the Company during the current examination period.

A summary of the findings and recommendations included in the March 28, 2008 Report regarding Annual Disclosure is as follows:

#### Preparation of Annual Client Disclosure Letters (Page 16 from the March 28, 2008 Report)

RSM McGladrey noted that due to system limitations, there were significant delays in mailing the 2005 and 2006 annual client disclosure letters. Only 54% of agency-billed and none of the direct-billed clients had been mailed annual disclosure letters for 2006 as of the completion of testing in November 2007. Willis expected these letters to be mailed prior to December 31, 2007.

#### Recommendation

It was recommended that Willis commit additional resources to address the system limitations so that annual disclosure reporting to clients could be more efficient and timely.

#### Management Response

Willis indicated that it had completed 2006 mailings resulting in 96% of agency billed and 100% of direct-billed clients receiving the annual disclosure statement during the examination period.

#### Current Status

As 2006 annual client disclosure statements had not been mailed at the time of the previous examination, testing during this examination included a review of eight policies placed in calendar year 2006 and eight policies placed in calendar year 2007. For all sixteen policies selected, a copy of the corresponding disclosure letter was obtained and the reported commission income was reconciled to the Willis billing system records. The 2007 mailing process was discontinued in 2008 when NYSID permitted Willis to implement the Opt-In Notice process. The mailing of Opt-In Notices for 2006-2008 statements began in March 2009.

#### Disclosure of Client Assistance Hotline (Page 16 from the March 28, 2008 Report)

RSM McGladrey noted that some of the annual client disclosure letters did not adequately explain that the toll-free assistance number could be used for compensation-related questions or complaints.

#### Recommendation

It was recommended that the toll-free number be conspicuously displayed with an explanation of how to report compensation-related complaints.

#### Management Response

Willis indicated that the Client Assistance Hotline is adequately displayed on all client communications.

#### Current Status

Testing performed by RSM McGladrey indicated that the Client Assistance Hotline is now prominently displayed on a consistent basis.

Returned Contingent Commissions (Page 16 from the March 28, 2008 Report)

RSM McGladrey noted that no audit trail was available to support that the Company returned contingent commissions after October 1, 2004.

Recommendation

It was recommended that the Company record and track the return of contingent commissions and retain the appropriate documentation.

Management Response

Willis indicated that there is a process and audit trail to track returned contingent commissions.

Current Status

RSM McGladrey conducted testing of the process outlined by the Company during the current examination and an audit trail supporting contingent commissions is now maintained.

**D. Review and Significant Observations**

Testing of annual client disclosure process included the evaluation of the process for completeness and accuracy. The testing included reviewing the adequacy of the revenue recognition control procedures. These controls were tested by the Willis' internal and external auditors. Testing by RSM McGladrey included a review of the external auditor's workpapers. In a test separate from the Preparation of Annual Client Disclosure Letters noted in the previous section, two additional policies that did not have disclosure letters prepared were included in a test of the Opt-In Notice process. Willis was able to provide Opt-In Notices sent to these two clients in 2009.

The examination also included a review of Willis' procedures to detect and return instances of prohibited contingent compensation received from insurance carriers. A review was conducted of cash receipts and cash application controls to detect the receipt of prohibited contingent compensation. Testing performed by internal and external auditors to determine the effectiveness of these controls was also reviewed for adequacy. To test the return of contingent commission payments, a sample of five of 31 (16%) contingent payments received were selected to verify that the payments were properly and timely returned to the carrier. Additionally, Internal Audit testing of the return of ten additional of the 31 (32%) contingent commission payments was reviewed. This testing identified no instances of Willis failing to properly return prohibited compensation.

As permitted by Amendment Three of the AOD, NYSID no longer requires Willis to submit an Annual Report to Superintendent regarding compensation received from insurers and reinsurers as set forth in the AOD. Accordingly, no testing was performed with respect to the Annual Report to Superintendent during this examination.

**E. Summary**

Willis made improvements in their processes to comply with the AOD requirement to provide clients with an annual disclosure statement of compensation received. However, the Company continued to encounter significant delays due to personnel and system limitations. As a result, there were significant delays in mailing the 2006 and 2007 annual disclosure statements to clients.

Willis provided an Annual Report to Superintendent for 2007 in a timely manner but is no longer required to submit the Report effective January 1, 2008.

Willis has adequately complied with the terms of the AOD regarding the annual disclosure to clients requirement.

## VII. COMPLIANCE PROCEDURES – COMPLAINTS

### A. Overview

The AOD requires that Willis “maintain a record of all complaints received concerning any Compensation from an Insurer which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee’s quarterly report and to the Superintendent annually.” AOD par. 20. Willis represented that it sent communications to all offices defining this type of complaint and establishing a process to record and monitor complaints and client inquiries concerning compensation.

### B. Company Procedures

#### Reporting and Investigation

Willis set up a Client Assistance Hotline that clients can call to provide feedback on Willis’ service. Clients are provided with a copy of the Client Bill of Rights, which provides the Client Assistance Hotline number. The annual client disclosure statements and Opt-In Notices sent to clients during the examination period also contained a number for clients to call with questions or concerns.

Willis stated that complaints and inquiries concerning compensation are recorded on a log at the local offices and sent to Group Compliance on a monthly basis. Complaints are investigated by the Legal and/or Group Compliance Departments. All compensation-related complaints are to be reported to NYSID as required by the AOD.

### C. Compliance with Recommendations in the March 28, 2008 Report

The Company provided the status of actions taken in response to the findings included in the March 28, 2008 Report. RSM McGladrey reviewed the responses and conducted testing where appropriate to determine if the findings and recommendations were adequately addressed by the Company during the current examination period.

A summary of the findings and recommendations included in the March 28, 2008 Report regarding Complaints are as follows:

#### Management Reporting of Compensation-Related Complaints (Page 17 from the March 28, 2008 Report)

The reporting of complaints to the Board Compliance Committee was not performed on a quarterly basis as required by the AOD except for April 2007.

#### Recommendation

It was recommended that Board Compliance Committee minutes should document that compensation-related complaints were reviewed on a quarterly basis as required by the AOD.

#### Management Response

Willis indicated that it revised the report to reflect quarterly reporting of compensation-related complaints.

#### Current Status

A review of the revised Compliance Committee report format indicated that Willis is including compensation-related complaints which complies with the terms of the AOD.

#### Documentation of Compensation-Related Complaints (Page 18 from the March 28, 2008 Report)

RSM McGladrey noted that the results of complaint investigations were not adequately documented and there was a lack of detail in the initial recording of inquiries and the action taken to resolve them. As a result, it could not always be determined whether certain inquiries constituted compensation-related complaints required to be included in the report to the Superintendent. The Company did not have a consistent process in place for the initiation, file set-up, and resolution of compensation-related complaints investigated by the Legal or Group Compliance Departments. In addition, the complaint files reviewed did not include records of phone calls, emails and other communications to support the specific investigations and actions taken by the Company.

#### Recommendations

It was recommended that Willis improve the compensation-related complaint process to ensure that all compensation-related complaints are captured and thoroughly investigated and the files contain an adequate documentation trail. It was also recommended the files document how the complaint was resolved and that all pertinent information concerning the resolution was appropriately retained to demonstrate that all compensation-related complaints were reported to the Superintendent as required by the AOD.

#### Management Response

The complaints process has and will be enhanced to create a separate field in the issue tracking database managed by Legal. In late 2009 or early 2010, all employees will be retrained on the complaints process. The NAL training has been revised to place greater emphasis on compensation-related complaints.

#### Current Status

RSM McGladrey conducted testing of the documentation and management reporting of compensation-related complaints. Complaint file documentation was improved in the complaint files reviewed. The recommendation as stated in the March 28, 2008 Report was not yet implemented.

#### Customer Hotline (Page 18 from the March 28, 2008 Report)

The established customer hotline was not a dedicated line for the reporting of compensation-related complaints. The hotline is not manned by an operator outside of regular business hours and after-hour callers are connected to a general voicemail system that provides no reference or guidance for reporting a compensation-related complaint. Established lines of communication for employees and customers to report concerns that may relate to AOD compensation issues, such as the whistleblower and insurer compensation toll-free numbers, can be reported to either the Group General Counsel or Group Compliance.

#### Recommendation

It was recommended that the process be enhanced to ensure compensation-related complaints received through any channel were immediately and concurrently reported to Group Compliance.

#### Management Response

The Company indicated that the client assistance hotline is managed by trained Group Compliance personnel. In addition, the Company indicated that all employees and managers are aware of the complaint escalation process and stated that the process would be reiterated to all employees.

#### Current Status

Testing of the process in place during the examination period indicated that the recommended enhancements to the established lines of communication for customers had not been fully implemented.

Willis does not have a process in place to ensure that all potential sources of compensation-related complaints are identified and monitored. RSM McGladrey observed that the Willis external website provides a portal for inquiries and questions. The Company stated that there is no process in place to review and evaluate the portal content to determine if inquiries, comments or grievances may be compensation related. As a result, there can be no assurance that potential compensation-related complaints received through this website are properly reported and escalated to Group Compliance. In addition, if these inquiries are not being properly escalated to Group Compliance, they may not be reported to the Compliance Committee and to NYSID. It is recommended that Willis establish a comprehensive process to identify and monitor all potential sources of compensation-related inquiries and complaints.

#### Compensation-Related Complaint Identification and Handling (Page 18 from the March 28, 2008 Report)

The review of complaint logs prepared by individual offices revealed an inconsistent method of preparing the logs. In addition, the definition of a complaint and the process for recording complaints was not well understood by field office employees.

#### Recommendations

It was recommended that additional training be provided to employees to identify, record and report compensation-related complaints. In addition, each office should maintain compensation-related complaints in a standardized manner with reporting directly to an independent party, such as the Group Compliance Department, concurrent with the date reported to the respective office involved. Further, the Company should retain supporting documentation explaining the resolution of compensation-related complaints.

#### Management Response

The Company indicated that a process has been established that directs employees to report all compensation-related complaints to Group Compliance and complaint-related documentation is maintained. Upon development and implementation, the LawTrac database will include functionality to identify and document compensation-related complaints. The Company plans to provide employees with training in complaint handling procedures in 2009 or 2010.

#### Current Status

The process and tools used to ensure that offices properly identify, document and communicate compensation-related complaints/inquiries are not adequate to ensure that all complaints are escalated to Group Compliance.

The Company confirmed that the use of the logs is the primary and prescribed method for the offices to alert Group Compliance of compensation-related complaints that may require further investigation. However, no calls or inquiries were recorded during the examination period and the instructions for use of its tool, "Call Tracker" do not address the types of information to be recorded or a description/definition of calls that represent a compensation-related inquiry, concern or complaint. One compensation-related complaint was recorded on the office log, but was not reported to Group Compliance. In addition, this complaint was not included in the annual complaint report to the Superintendent. It is recommended that Willis develop and implement processes and tools to ensure complete and accurate reporting and escalation of compensation-related information.

Willis Re does not maintain a complaint log. Willis Re employees do not have an adequate understanding of the process for logging and reporting compensation-related complaints and escalating complaints outside of the client team or the business unit to Group Compliance. It is recommended that a process be established to ensure all compensation-related information originating from Willis Re are escalated directly to an independent party, such as Group Compliance, concurrent with the date reported.

#### **D. Review and Significant Observations**

##### Definition of a Compensation-Related Complaint

The Company provided the following definition of a complaint:

*"A complaint is a complaint relating to a matter involving acceptable or unacceptable forms of compensation."*

The definition does not clearly address the concept or identify features of a complaint, such as it being an expression, written or oral, of a grievance concerning compensation. In addition, the definition of a complaint is not included in training materials or other broadly distributed employee communications. The definition of a complaint included in a canvassing email to the Legal Department was similarly unclear including a reference to a litigation matter. As a result, the definition and its communication thereof are not adequate to ensure that compensation-related complaints are properly identified and reported. It is recommended that an appropriate and adequate definition of a compensation-related complaint be established and communicated to employees.

##### Independent Review and Reporting of Compensation-Related Comments and Inquiries

Compensation-related inquiries, comments, grievances and complaints received by employees in writing or orally are not always recorded and immediately escalated to Group Compliance for the prompt and accurate determination of whether it is a compensation-related complaint subject to reporting to NYSID under the terms of the AOD. Field personnel make the determination whether a compensation-related inquiry from clients or insurers is a complaint and whether it should be recorded in the office complaint log and reported to Group Compliance. There is an inherent conflict of interest in this process since the reporting individual may be the subject of the complaint. This is not an effective means of ensuring that all compensation-related comments are reported and subjected to objective, independent review and consideration. The producer, employee or office involved in a compensation-

related inquiry, comment, complaint or grievance should not make the determination of whether such an inquiry should be escalated to Group Compliance. It is recommended that all compensation-related matters should be reported directly to an independent party, such as Group Compliance, concurrent with the date reported to the respective office involved.

#### Compensation-Related Complaint Canvassing Process

The Company's process to canvas field offices about compensation-related complaints remains inconsistent. The timing for which canvassing is performed and the employees to be canvassed is not clearly documented nor is it consistent year to year. As the process appears to be informal, there is no assurance that all compensation-related complaints that should have been identified, recorded and escalated to Group Compliance were done so in a timely manner. In addition, there is no assurance that the information presented to the Compliance Committee and other constituents is complete and accurate.

The canvassing process for the 2008 calendar year was inadequate in that the timeframe stated in the canvassing email did not include the fourth quarter of 2008. As a result, the recipients may not have reported complaints received in that quarter for purposes of filing a complete and accurate 2008 annual complaint report to the Superintendent. In fact, the annual complaint report was missing one complaint from the fourth quarter of 2008.

The 2008 email did not include a clear articulation of the definition of a compensation-related complaint, such as "a compensation-related grievance or concern expressed verbally or in writing by a client or insurer". Consequently, the communication could result in the misperception that only litigation matters are compensation-related complaints or that a complaint is only a matter that involves or results in litigation. It is recommended that Willis establish a consistent process to canvass field offices quarterly to ensure timely and accurate identification and reporting of compensation-related complaints.

### **E. Summary**

The processes and tools used to identify, review and record compensation-related complaints are insufficient to meet the terms of the AOD. There is no assurance that compensation-related complaints are adequately identified and such information is accurately and completely reported to the Compliance Committee and to NYSID due to the lack of an appropriate definition of a complaint and the lack of a formal, well-documented escalation and review process.

The monitoring tools developed and the canvassing methods employed to identify compensation-related inquiries or complaints are not sufficient to identify potential complaints. The inherent conflict of interest in the self-reporting of compensation-related inquiries and complaints by local offices should be mitigated by requiring the immediate and concurrent reporting of compensation-related inquiries and complaints to Group Compliance. Training should be enhanced to sufficiently address the reporting of complaints.

RSM McGladrey recommends that Willis establish a comprehensive program to identify, investigate and report all compensation-related complaints. The policies and procedures developed and implemented regarding complaints are inadequate to be compliant with the terms of the AOD.

## VIII. COMPLIANCE PROCEDURES – COMPLIANCE MONITORING

### A. Overview

Using the Group Compliance and Internal Audit Departments, Willis monitors the adherence of policies and procedures implemented to meet the terms of the AOD. The reviews provide an assessment as to whether or not the field staff is acting in compliance with the procedures outlined by the Group Compliance Department.

### B. Company Procedures

#### Structure of the Compliance Function

Willis monitors compliance with the AOD through regular Self Assessment File Reviews (SAFRs), quarterly controls/risk self-assessment, monthly testing of written Consent to Compensation forms, office visits by Regional Compliance Officers (RCO) and Internal Audit reviews.

The compliance monitoring structure is comprised of the Business Unit Compliance Officers (BUCO), RCO and local, regional and national management. On a weekly basis, a conference call takes place with the Deputy Group Compliance Director for North America and compliance staff for North America. This call allows each RCO to discuss compliance issues identified in their region and how they are being addressed. This dialogue between the RCOs provides an opportunity to handle compliance matters in a standardized manner. It allows for the early identification of trends based upon audit results and an opportunity to answer questions from field employees. The calls allow for discussions on employee training based upon trends and the implementation of new processes.

The Board Audit Committee was designated as the Compliance Committee of the Board of Directors required by the AOD. The Internal Audit and Group Compliance Departments report quarterly to the Compliance Committee, which in turn reports quarterly to the Board of Directors. The Office of the General Counsel meets with the Chairman monthly to report on matters including compliance with the AOD.

#### Self-Assessment File Reviews

The Self Assessment File Reviews monitor business unit compliance with the AOD requirements through the addition of AOD-specific questions to the Willis internal placement review process. The SAFR process had been developed to ensure business unit compliance with Willis placement requirements embedded in WEM. The current checklist is 35 questions and includes some questions that are pertinent to AOD compliance.

The SAFR process requires every Willis North America office to complete an agreed number of placement file reviews every month using a standard checklist. In the US, approximately 350 placement files are reviewed each month. The file reviews are completed by the respective office's BUCO and the results of these file reviews are reported to the RCOs. It is then the responsibility of the RCO to perform a quality review audit by retesting 10% of the files reviewed by the BUCO. The RCO compiles the results for the region into a summary report, which is reported to Willis North America management.

The Company has established a minimum number of files to be reviewed using the standard SAFR checklist. The RCO may agree to a variance in the number of files to be reviewed provided the annual aggregate number of files is achieved. The sample size for property and casualty files is based primarily upon the number of policies with a target goal of reviewing 10% of the placements for each business unit in a calendar year. The sample size for each business unit will be determined annually based upon trailing 12-month data, and the required number of files to be reviewed for each business unit will be discussed and agreed upon with each BUCO by their RCO. Reviews of employee benefits files include one file per month with revenue less than \$25,000, one file per month with revenue between \$25,000 and \$50,000 and one file per month with revenue greater than \$50,000.

#### Consent to Compensation Analysis

According to the terms of the AOD, for any placement in which Willis will be compensated by commission, Willis must disclose the amount of commission in writing to the client prior to binding, have the document dated and signed by an authorized company representative prior to the binding date of the coverage placed, and ensure that the completed consent is made a permanent part of the placement file. The Company tests placement files to determine whether the consent to compensation requirement is being adhered to by the field. This process is referred to as the Consent to Compensation Analysis. Testing by the Company includes selecting a 10% sample of placement files per office, per month. This process required that the RCO for each region gather the Consent to Compensation documents for the sample chosen by Group Compliance. The documents are sent to Group Compliance where they are reviewed for inclusion of a properly signed and dated Consent to Compensation form covering each commission placement for which such consent was required. The results were then compiled by line of business, office and region and reported to Company management and Willis regional and corporate compliance personnel.

### **C. Status of Recommendations in the March 28, 2008 Report**

The Company provided the status of actions taken in response to the findings included in the March 28, 2008 Report. RSM McGladrey reviewed the responses and conducted testing where appropriate to determine if the findings and recommendations were adequately addressed by the Company during the current examination period.

A summary of the findings and recommendations included in the March 28, 2008 Report regarding Compliance Monitoring is as follows:

#### Data Accuracy in Compliance Reports (Page 21 from the March 28, 2008 Report)

Testing of a sample of the SAFR office level reports and summary management compliance reports by region in the previous examination identified discrepancies in the checklist items between offices and from the SAFR checklist to summary reports for an office. In addition, there were a few discrepancies noted between the office level reports and the summary management reports by region.

#### Recommendations

It was recommended that the accuracy of the data reported in the reports should be more closely monitored and a document should be prepared detailing the corrective actions and training necessary to address the significant SAFR issues identified in the reports.

#### Management Response

The Company responded that it considered the recommendations in the March 28, 2008 Report and the monitoring results and reports are now centralized for review and a database of all corrective actions is maintained.

#### Current Status

The SAFR results included in the Quarterly Reports to the Compliance Committee during the examination period were noted to be limited to the percentage of Property and Casualty files reviewed where the written Consent to Compensation was not received prior to effective date. The results of the Employee Benefit file reviews were not included in these reports. Results from other business lines such as Private Clients, Surety and Willis Re were also not included in these reports.

RSM McGladrey confirmed the existence of a centralized database to record the results of SAFR reviews performed by the BUCOs, which is also used to generate quarterly SAFR summary reports of exceptions noted. However, the Company could not provide all the compliance monitoring reports issued during the examination period. While testing the compliance monitoring process, RSM McGladrey was advised that version control of the SAFR database was not maintained. Inconsistencies were identified in the database information regarding the questions asked or the number of exceptions included in the quarterly reports.

The Company has made some enhancements to their process which addresses one of the March 28, 2008 Report recommendations; however, it is still recommended that the accuracy and completeness of data reported be closely monitored.

#### Inconsistent Sampling Methodology for SAFR Reviews (Page 21 from the March 28, 2008 Report)

Test results from the previous examination revealed that the sample size per office was inconsistent between offices. RSM McGladrey noted that some offices reviewed 10% of the placements for the quarter while other offices tested a specific number of files per quarter.

#### Recommendation

It was recommended that written instructions be communicated to the BUCOs conducting SAFR reviews so that the sample selection process is consistent throughout all offices.

#### Management Response

The Company responded that the number of reviews for each office is established and adjusted annually each July.

#### Current Status

Documentation was provided detailing the number or percentage of files that were to be included in SAFR reviews per office, per month. However, no information was provided by Willis detailing how it adjusts the number of reviews to be performed for each office annually.

RSM McGladrey noted that during the examination period, Group Compliance did not monitor all lines of business subject to the terms of the AOD for compliance regarding the placement of insurance products. Specifically, the Company did not monitor surety placement files for compliance with AOD, as agreed upon with NYSID and noted in the March 28, 2008 report. Additionally, in an email communication to RSM McGladrey dated April 23, 2009, the Company stated that "SAFRs should have begun in Q2 2008. However, with the acquisition of HRH, SAFR follow-up was postponed." RSM McGladrey noted that 1% of Willis Re NY files (6 files) were reviewed in 2007.

RSM McGladrey also noted that in 2007, Group Compliance performed monthly limited scope reviews of Private Client placement files using a checklist consisting of seven questions the Company considered addressed AOD requirements. However, effective January 2008, the Company discontinued this practice, replacing it with only monthly review of Consents to Compensation for receipt prior to the policy effective date. In an email communication to RSM McGladrey, dated May 11, 2009, the Company confirmed that the 2008 reviews were limited to analysis of Consent responses and that the aforementioned checklist was not used. This procedural change further reduced the scope of the monthly Private Client compliance monitoring process by eliminating the placement file review. RSM McGladrey noted that this finding, which is based upon testing and documentation provided by the Company, does not acknowledge the additional inconsistent documentation provided by the Company subsequent to the completion of testing.

RSM McGladrey recommends that the Company enhance its process for documenting how the number of placements reviewed per office is determined on an annual basis. This information is necessary for assessing the Company's compliance with the terms of the AOD.

Follow-up from Compliance Monitoring Results (Page 22 from the March 28, 2008 Report)

For 28% of the placements included in the placement file sample for the period June 6, 2005 through June 6, 2007, no Consent to Compensation form was available for review by RSM McGladrey.

Recommendation

It was recommended that the Company train all client-facing staff that the Consent to Compensation form must be obtained prior to binding.

Management Response

According to the Company, all employees are trained on the consent to compensation process.

Current Status

The Company provided sufficient information which demonstrates that relevant employees have been trained on the consent to compensation process. RSM McGladrey still recommends that ongoing training be conducted of relevant employees to ensure that the process remains effective.

#### Consent to Compensation Analysis (Page 22 from the March 28, 2008 Report)

The Willis methodology for conducting the Consent to Compensation analysis reviews was not adequately documented. The process did not include a review of when Willis obtained the Consent. Additionally, RSM McGladrey's review of the Consent to Compensation analysis process disclosed that the review and document retention process should be enhanced.

#### Recommendations

The recommendations stated in the March 28, 2008 Report were as follows: 1) the Company should monitor that the consent to compensation is obtained prior to binding, not just prior to the effective date of coverage; 2) the Company should enhance its process to ensure that reviews are consistently performed to determine whether the consent was obtained prior to binding, the disclosed compensation is consistent with the recorded compensation and includes the date received and 3) the Company should include a process to verify that third party signatories (e.g., agents of the insured) were properly authorized to approve the commission rate.

#### Management Response

The Company indicated that no changes were made to the Consent to Compensation analysis review process during the examination period.

#### Current Status

RSM McGladrey noted that the monthly testing of Consent to Compensation forms performed by Group Compliance evaluates whether the Consent to Compensation from the client was received prior to the policy effective date, not prior to the policy binding date as required by the AOD. For the six (6) offices in the sample, RSM McGladrey requested that the Company provide copies of the documentation reviewed by the RCOs as part of their monthly Consent to Compensation review. In 20 of 40 (50%) of the placement transactions, RSM McGladrey was not able to verify whether the Consent to Compensation form was received prior to binding because either: 1) the binding documentation was not provided by the Company (19 placements or 47%), or 2) the Consent form was not dated (1 placement or 2%). RSM McGladrey was not able to validate the information reported on the monthly consent analysis reports to management for four of the six offices (66%) reviewed because the binding documentation was not provided.

### **D. Review and Significant Observations**

RSM McGladrey tested each monitoring process used by Willis during the examination period for compliance with the terms of the AOD.

#### Internal Audit Reviews

During the examination period, Internal Audit (IA) conducted fourteen (14) office audits (20% of Willis US offices). RSM McGladrey reviewed all fourteen (14) reports issued by IA. The focus of the Internal Audit reviews of Willis' US offices was on the placement process attributes included in the SAFR testing. IA testing was performed to validate the results of SAFRs performed locally by BUCOs. The test results included in the IA reports reviewed indicated that the SAFR process is sound, however, in some instances, IA identified specific discrepancies between IA and BUCO test results. The discrepancies reported by IA were sometimes at a process level and at other times at an individual file level. When discrepancies were noted, IA included how the discrepancies were addressed by the IA team and any root cause observations made by the team. Additionally, IA also reported instances where the selection of files was not appropriate, based on guidelines established by Group Compliance.

The testing IA performed of the SAFR files included in the sample also included a review for the inappropriate use of last looks and the appropriate use of placement file checklists and strategy documentation.

In regards to the Company's Consent to Compensation document, IA testing found:

- In 11% of the files reviewed, the required consent form was not received from the client prior to effective date.
- In 16% of the files reviewed, the required Consent to Compensation form was not used.

Additional IA file review findings included, but were not limited to:

- In 6% of the files reviewed, there was no evidence in the file that the client was informed prior to the effective date that the coverage had been bound.
- In 4% of the files reviewed, no documentation or insufficient documentation of the marketing strategy or approach was noted.

IA reports also commented on WEM training to be delivered during the examination period. In 71% of the IA reports reviewed, they commented on the need for additional WEM training to address non-compliance with one or more components of WEM.

RSM McGladrey also noted that IA's AOD recommendations report does not include all AOD compliance-related issues identified in the office reviews such as documentation of placement strategy and confirmation of coverage prior to binding date. The AOD recommendations report and database appear to include only issues related to "US Consent to Compensation" exceptions from the office audits.

#### Self-Assessment File Reviews

A judgmental sample was selected for review, which included one office report per quarter for Q3 2007 to Q3 2008.

RSM McGladrey also confirmed that the Company implemented a separate database to document exceptions and corrective actions, including training necessary to address the significant SAFR issues identified during the reviews. However, the Corrective Action Tracking Database/Report developed during the current examination period and used by Group Compliance to monitor the status of actions identified by RCOs to address SAFR exceptions does not include all SAFR exceptions identified during the examination period. For each of the five quarters covered by the examination period, testing was conducted by judgmentally selecting an office and comparing the quarterly SAFR results to the Corrective Action Tracking report for completeness. The results indicated that individual SAFR exceptions requiring corrective action were not always recorded in the Corrective Action Database in accordance with guidelines provided by Group Compliance.

While the SAFR process has improved during the current examination period, it is recommended that additional improvements be made to the internal controls involving this process to ensure the integrity of the related reports and the accuracy and completeness of the information provided to the Compliance Committee.

### Consent to Compensation Analysis

RSM McGladrey selected a judgmental sample of Consent to Compensation reviews performed by Group Compliance. The sample included a review of one office in Q3 2007, two offices in Q1 2008 and three offices in Q3 2008. In reviewing the sample, RSM McGladrey noted that information on the Consent to Compensation disclosure forms prepared by the Company does not always agree with information on the IBS Revenue Report (e.g., commission rate, insurer name, etc). Based upon information provided by the Company, it was noted that the monthly Consent form reviews performed by Group Compliance only evaluate whether the Consent to Compensation form was received prior to the policy effective date, not whether other information on the form is accurate.

In five of the 40 (12.5%) Consent forms reviewed, it was noted that the commission percentage disclosed on the Consent form did not agree with the percentage in the IBS Revenue Report. This exception rate would indicate that the employees preparing the Consent to Compensation document are not verifying that the information included in the accounting system matches the information included in the Consent to Compensation document.

The Consent to Compensation forms prepared by the Company do not always accurately reflect the name of the insurance company writing the policy. In 10 of the 40 (25%) forms, the carrier listed on the consent did not match the carrier identified on the IBS Revenue Report. In many instances, the carrier listed was the parent carrier not the affiliate to which the policy was being placed. By not providing clear, complete and accurate information to prospective and current clients of proposals and bids as to the specific insurer in which the client's coverage was solicited and placed, the Company is not adhering to the terms of the AOD. In addition, the information may be misleading to the client.

Additionally, the Company could not provide the specific supporting records used to prepare the monthly consent analysis reports. RSM McGladrey was advised that RCOs do not maintain the supporting documentation that are the basis for the monthly consent analysis reports used by Group Compliance to monitor compliance with AOD requirements.

As noted in the March 28, 2008 Report, RSM McGladrey's review of the Consent to Compensation analysis process disclosed that the review and retention process should be further enhanced. RSM McGladrey was not able to validate the information reported on the monthly consent analysis reports to management for four of the six offices and time periods reviewed because the supporting documentation was not retained by Group Compliance. According to information provided by the Company, the RCOs perform the monthly consent analysis by comparing the date the consent form was signed to the policy effective date noted on the IBS Revenue Report. To provide assurance that the Company provides clear, complete and accurate information to prospective and current clients on all proposals and bids as to the specific insurance in which the client's coverage is being placed, it is recommended that the monthly consent process be enhanced to ensure that reviews are consistently performed to determine whether the Consent to Compensation was obtained prior to binding and includes the proper commission, coverage and carrier information and includes the date received. In addition, RCOs should maintain copies of the actual documentation they analyze to prepare the monthly consent analysis reports.

### Compliance Monitoring Activities

The monitoring activities performed by Group Compliance do not provide reasonable assurance that policies and procedures established by the Company to address the following AOD requirements are consistently applied and that corrective action is taken when determined necessary:

- The receipt of anything of material value from insurers is properly documented, reviewed and escalated to Group Compliance, where appropriate.

- Initial and ongoing AOD refresher training is provided to relevant employees.
- Compensation-related complaints or inquiries are properly identified, reported and resolved.

For 100% of the applicable placement files reviewed, all Consent to Compensation forms were provided to RSM McGladrey. Based upon information provided by the Company during site visits, BUCOs provide consent to compensation training to employees on an “as needed” basis based upon the results of SAFR reviews performed at the individual offices. The testing results from the current examination indicate that the Company has improved the process for obtaining and retaining the Consent to Compensation forms.

Complete and accurate reporting of compliance-related issues and corrective actions to Group Compliance is an essential component to an effective compliance monitoring program. Since the March 28, 2008 Report, enhancements to the SAFR process have included the documentation of SAFR review results in a centralized database, which has allowed the Company to be efficient in preparing Self-Assessment File Review Compliance Monitoring - Office, Regional and National Reporting Summary of Exception Noted reports. However, RSM McGladrey’s review of the Compliance Committee reporting process disclosed that the Company could not provide all the underlying support for the reports issued during the examination period. It is recommended that the supporting documentation for the reports provided to the Compliance Committee be retained in accordance with the record retention requirements of the AOD and to provide an audit trail for the information in the Compliance Committee reports as evidence of their data integrity.

## **E. Summary**

Willis has established a number of compliance review processes, including SAFRs, monthly testing of written Consent to Compensation forms by Group Compliance and IA reviews, to monitor compliance with the terms of the AOD. The effective design and execution of these key compliance monitoring activities is critical to providing reasonable assurance that information reported to Company management and the Compliance Committee of the Board of Directors is complete, accurate and timely. The independent reviews by the IA Department are critical to evaluating the effectiveness of the Company’s compliance monitoring processes and procedures and the Group Compliance function.

To more effectively monitor the implementation of corrective actions implemented by offices identified to have AOD compliance deficiencies, all AOD compliance-related exceptions identified during office audits, not just Consent to Compensation exceptions, should be recorded and tracked in the database maintained by Internal Audit.

The SAFR process monitors the policy placement process for the compliance components included in the AOD. Although training is given to BUCOs through a continuous process of communication with RCOs, RSM McGladrey noted that there are no formal written instructions regarding the performance of SAFR reviews. Without written guidelines which clearly articulate the objectives, expectations and instructions regarding the procedures to be performed, the BUCOs may not be consistent in how they review files and identify and report exceptions related to compliance with the AOD. This is particularly important as turnover occurs among BUCOs.

RSM McGladrey recommends that the Company strengthen and expand its processes for the Consent to Compensation Analysis to provide more comprehensive coverage to ensure compliance with the terms of the AOD. In addition, Group Compliance should consistently monitor compliance for all lines of business subject to the terms of the AOD and include results of all file reviews performed in the Quarterly Reports to the Compliance Committee.

Finally, the creation of a separate database to document corrective actions to be taken by the Company has provided the Company with a tool to more effectively monitor the implementation of such actions. It is recommended that the information recorded in the database be periodically evaluated for completeness and accuracy. Information identified through reviews performed in all lines of business should be tracked.

Testing performed to determine whether Willis had established policies and procedures to implement a compliance monitoring process in accordance with the AOD disclosed that Willis has developed a compliance monitoring program. However, it is not as comprehensive or effective as it could be. In addition, improvements are necessary in the integrity of data included in the reports prepared for the Compliance Committee.

**APPENDIX A**  
***ASSURANCE OF DISCONTINUANCE***

**THE ATTORNEY GENERAL OF THE STATE OF NEW YORK**

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**In the Matter of**

**WILLIS GROUP HOLDINGS LTD,  
WILLIS NORTH AMERICA INC. and  
WILLIS OF NEW YORK, INC.**

-----X

**ASSURANCE OF DISCONTINUANCE  
PURSUANT TO EXECUTIVE LAW § 63(15)**

Pursuant to the provisions of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 *et seq.*), and the Martin Act (Gen. Bus. Law § 352-c), Eliot Spitzer, Attorney General of the State of New York caused an investigation to be made of Willis Group Holdings LTD, Willis North America Inc., and Willis of New York, Inc. (collectively "Willis") related to its practices in the purchasing, renewal, placement or servicing of insurance for its clients (the "Attorney General's Investigation"); and the Superintendent of Insurance of the State of New York (the "Superintendent"), pursuant to Insurance Law § 305, conducted an investigation of Willis related to its practices in the purchasing, renewal, placement or servicing of insurance for its clients (the "Superintendent's Investigation"); and based upon the Attorney General's Investigation and the Superintendent's Investigation the following findings have been made:

1. Willis is the world's third largest insurance broker and is also a leading provider of risk management, human capital and management consulting. Businesses and individuals who need insurance as well as insurance companies that need reinsurance retain Willis to help them design an insurance plan and negotiate with insurance companies to get the best mix of coverage, service, financial security and price.

2. Willis tells its clients through its Clients' Bill of Rights that "Willis represents the client's best interests through our client advocacy model. Willis' global resources and services are committed to understanding the client's company, its industry and its individual needs. Willis' customized recommendations and solutions will be driven by what is in the client's best interests. This is the centerpiece of the value Willis provides its clients." (Willis website; <http://www.willis.com/> Last visited March 27, 2005)

3. In fact, prior to modifications to its business model in response to the Attorney General's Investigation and the Superintendent's Investigation, Willis conducted its business putting its own interests first. Willis had entered into a number of contingent or override agreements to receive compensation from insurance carriers in exchange for increasing the volume or profitability of insurance policies it places with these carriers.

4. Willis steered its customers to preferred "Partner" carriers who had signed contingent fee agreements ["PSA's"] with Willis so that it could achieve maximum payouts. Willis also sent clients' business through its wholesaler, Stewart Smith, in order to obtain bigger commissions, even where it could have placed that business directly with insurers. Willis also used the leverage it had in the placement of retail insurance with insurers to obtain reinsurance brokerage business from those insurers for its Willis Re reinsurance brokerage unit.

5. In 2003, Willis began to centralize its receipt of contingent commissions from a local office basis to a national structure, headed out of New York. This unit was called Willis Global Markets North America.

6. In an April 4, 2004 e-mail to Rowan Douglas, Executive Director of Willis Global Markets in London, James Drinkwater, Managing Director of Willis Global Markets in

North America and the Willis executive in charge of negotiating national PSA's, explained how an insurer would benefit from having a contingent fee agreement with Willis's national:

Underwriters [insurers] need to realise that our PSA's [contingent fee agreements] are a reward for services that we provide to carriers such as carrier advocacy .... Carrier Advocacy includes transparency into our organisation and our book, access to our leadership and our clients, **an unfair competitive advantage** as well as other benefits that partnership brings. While the downside of not partnering with us is impossible to calculate I think that Hartford, Axis, Ace, St Paul would all advocate the value and the positive effect that it has on our business. (Emphasis supplied.) (Willis - 23996)

7. Drinkwater, in a May 15, 2003 e-mail, outlined how he proposed to steer business in the second half of 2003 to Partner carriers that signed national PSA agreements, noting his intent was to "[m]ake the marketing departments more accountable for growing contingent revenue and reward[ing] them for this behavior. This can be done by driving business to these carriers." Another idea was "[n]egotiating Enterprise deals with carriers for reaching stretch goals – I am in the process of doing this with Hartford for the last six months of 2003." Willis -53585 - 86.

8. In a September 2003 internal Willis Report on U.S. Operations, Willis stated that "Marketing centers are reviewing contingent, bonus and override plans to maximize all agreements during the fourth quarter. Special attention is being given to St. Paul, Chubb, Liberty Mutual, Hartford and Crum & Foster due to special [PSA] agreements." Willis -- 43329

9. Carrying through with these reviews and plans, Drinkwater held a National Planning Meeting in Chicago in late October, 2003. At that meeting the regional marketing officers of Willis North America agreed on a revenue strategy to "generate \$2.5 million in unanticipated income from North America in November and December 2003." Each of Willis's

five marketing regions in the United States was given an income target so that the \$2.5 million target would be reached. Responsibility for hitting these targets was assigned to the Regional Marketing Officers. One of the "Key Objectives" of the \$2.5 million revenue strategy was to "Maximize premium volume flow to key carriers with most attractive contingent income agreements." Willis - 16095. Drinkwater was explicit. In an October 17, 2003 e-mail to the Regional Marketing Officers ("RMOs"), titled "Contingent Income Push," Drinkwater said: "I need you to drive this initiative – I want to see you directing the flow of business to these companies ["Partner Markets" Crum & Forster, Chubb, St. Paul and Hartford, insurers with which Willis had contingent revenue agreements]. Drinkwater explained, "... moving business wherever possible to our Partner Markets ... will have significant revenue implications to the Group." Willis 15695 - 97.

10. After the Chicago National Planning Meeting, the RMOs got the message out to their teams back home. For example, on November 1, 2003, the Willis Regional Marketing Officer for the West Coast, sent an "urgent" e-mail to his marketing team saying:

I just came back from a national planning meeting in Chicago with all of the RMO's in attendance. One of the major topics of discussion at our meeting was how each region in North America could achieve an additional \$500,000 in revenue by 12/31/03.

The RMO's collectively devised at [sic] an action plan that we believe will help us achieve this goal.

**C. Where possible drive ALL of our new and renewal business to our strategic partners who are paying Willis added incentives for year end growth results.** (Emphasis supplied, but ALL capitalized in original.) Willis - 26264.

11. In a November 11, 2003 e-mail from the Chief Marketing Officer of Willis North America to the regional and national marketing team, he wrote, "Don't forget the advantages of placing as much business as possible with the carriers we have negotiated special deals with, as you look for ways to maximize revenues the last few months of this year and into 2004." Willis - 54752.

12. In some instances Willis personnel were ordered to give business to a specific carrier unless there were "compelling reasons" not to. For example, in an August 26, 2003 e-mail, the Marketing Manager of Willis - Portland told the Northwest marketing team:

Corporate marketing has signed a contingency agreement with Hartford Steam Boiler making them our preferred Strategic partner for this class of business. **Therefore I am mandated to place all B&M with them unless there is a very compelling reason not to. If you will remember, the whole marketing dept. concept was originally predicated on the fact that we would limit our markets to some strategic markets where we would place 80% of our business.**

(Emphasis supplied.) Willis - 29760

13. Moreover, Willis made it clear to insurers that signing contingent fee agreements with it would mean that Willis would steer business to those carriers. During negotiation of a 2004 agreement with ACE, James Drinkwater e-mailed Susan Rivera, president of ACE, on December 11, 2003 as follows: "One final comment, and possibly most importantly, the quicker I can get word to our offices that we have agreed to a partnership for 2004 the more opportunity that we may have to get off to a good start in 2004 and focus on writing January 1<sup>st</sup> business." Willis - 44448 - 49

14. Indeed, when Willis decided in late 2003 that it would establish the job title of Carrier Advocate to manage the Partner Market relationships, Damian Chapman, who was

to be appointed to one of those new positions, drafted an e-mail notification to be sent to the Willis North America regional offices. That draft spelled out explicitly that “[f]ocusing on our ‘Partner’ markets will require premium flows to be restructured as non partner markets are de-emphasized.” Willis – 44136. James Drinkwater edited out this clear admission that carriers who did not pay contingents would have their business suffer, changing Chapman’s language to, “[f]ocusing on our ‘Partner’ markets will require the management of our premium flows and the overall relationship.” Willis – 44157 – 58. Notwithstanding Drinkwater’s euphemism, the intent was clear: premiums would be shifted to ‘Partners’, i.e. to carriers having contingent agreements with Willis, and away from carriers having none.

15. As explained in ¶¶ 9 - 12 above, the goal of reaching \$2.5 million of unanticipated income in November and December 2003 was carried out in the regions. But the methods used by the regions did not stop at simply steering business to carriers with lucrative contingent fee agreements. The regions also directed as much business as possible through Willis-owned wholesaler Stewart Smith, sought additional upfront commissions from insurers, and pushed for any reinsurance needed by the insurers to be placed through Willis.

16. Members of Willis realized that they could gain additional commissions through placing clients through its wholly owned wholesaler Stewart Smith, thereby gaining a second commission when Willis could have directly placed the business for a single price. For example, in the Willis Florida office, the Director of Marketing, described two of these occurrences in a December 1, 2003 e-mail called “Maximizing Revenues”: “Lincare (Umbrella, Professional, GL) - after negotiating acceptable premiums, we ran this through Stewart Smith [Willis’s wholesaler] for additional income to group of more than \$156,000. Fee Account.”

Willis – 44079. In other words, regardless of the fact that Lincare paid Willis a fee for its placement services to Lincare, Willis sent this business through its wholesaler Stewart Smith and earned an additional \$156,000 on the Lincare placement. The same e-mail also described another similar placement, this time for “Central Concrete Supermix (Umbrella) –renewing with AIG, via Stewart Smith (versus direct), additional income to group of \$100,000. Fee account.” Willis – 44079. Had Willis gone direct to AIG, Willis would have received only the fee that Central Concrete Supermix had agreed to pay Willis for the placement. Instead Willis received an additional \$100,000. The e-mail also noted that Willis’s Florida office had also been steering accounts to contingent markets “in order to maximize our contingencies ....” Willis – 44079 - 80

17. Similarly, in a November 3, 2003 e-mail the head of the Willis Northeast Marketing team instructed his team members that in order to help meet \$2.5 million additional revenue year end target, they should (1) ask for 2% additional commission on all renewals, (2) run all fee accounts through Stewart Smith, the Willis wholesaler, wherever possible, (3) “feed our biggest contingency players, Hartford, St. Paul, Chubb and Liberty Mutual”, and (4) “look to get Willis Re [reinsurance] involved in any accounts possible.” Willis – 35628 – 29

18. Willis’s stated goal to get Willis Re involved in any retail account possible was actively pursued. From early in 2003 until well after the Attorney General’s and the Superintendent’s investigations had commenced, Tony Ainsworth was responsible for coordinating Willis’s efforts to use the leverage it had with insurers through Willis’s placement of retail insurance with those insurers to obtain facultative reinsurance brokerage business from those insurers. On a monthly basis, Ainsworth prepared spreadsheets to show Willis management his successes in this area. Willis – 0107097 – 7110

19. A month after the Attorney General commenced litigation against one of Willis's competitors, Marsh & McLennan, Willis began to move to curtail the e-mail and paper trail of these leveraging activities, while still apparently continuing them. In a frank November 15, 2004 e-mail to his colleagues, Ainsworth wrote:

Based upon the developments of the last few weeks in our industry [the Marsh lawsuit filed by the Attorney General], I as well as the Management Team have decided to suspend all e mail and/or written correspondence between Willis Re Fac [Facultative] and Willis Retail/Wholesale effective immediately. This will mean that we will no longer track [retail] broker / share renewal lists / leverage business, etc.. **It does not mean that we will not be working with Retail/Wholesale on accounts but more in a low key manner. Keep talking to our friends and find out where business is being sent .....just do it verbally or in person!** (Emphasis supplied.) Willis – 107036 – 37

20. Willis was not shy about using the leverage Willis Retail had with insurers to get reinsurance business from those insurers. In one instance, ACE North America had retained Guy Carpenter, the reinsurance brokerage unit of Marsh & McLennan, to place reinsurance for a contract that Willis Retail had awarded to ACE for ABM, an airport maintenance service company. Drinkwater, upon discovering the employment of a competing reinsurance broker on a Willis retail account, called Susan Rivera, ACE's President, and insisted that the reinsurance business be placed through Willis Re. After the call, Rivera ordered ACE to move the reinsurance to Willis Re.

21. In one instance, Willis also used its relationship with insurance companies to solicit and receive false bids. In 2001, Willis was attempting to obtain bids for insurance for a parking and shuttle contract its client ABM had received from the Detroit Metro Airport. The airport required that ABM receive three bids from insurance companies. Willis, however, was unable to get three insurance companies to bid, only receiving a quote from the Fireman's Fund.

Willis, therefore, asked two insurance companies, Zurich North America and CNA, to provide bids as a favor. Willis then told both Zurich and CNA what they should bid in order to ensure that they would not gain the business. In his e-mails to the companies, the Willis broker stated:

we need the alternative quotes to come in higher than [Fireman's Fund's] first dollar indication. I have come up with a premium breakdown that follows, and need a quote letter from you so that ABM can meet the terms of the insurance requirement.

Zurich and CNA complied with the requests, submitting the false bids as detailed by the Willis broker, without performing any underwriting work. These bids were then submitted by Willis to the Detroit Metro Airport on behalf of ABM.

22. Willis attempted to manage the timing of contingent fee payments. In late 2003 James Drinkwater sought out a number of insurance companies, promising increased business in exchange for as yet unearned payments before year end. One of the companies that accepted the offer was ACE North America, which agreed to advance Willis \$500,000. To justify the receipt of these funds on Willis's books, Drinkwater personally convinced Susan Rivera, ACE's president, to send him fraudulent e-mails, drafted by Drinkwater himself, to make it appear that Willis was entitled to the funds in 2003. These inaccurate e-mails were then given to Willis's auditors to justify the recording of the payment.

23. Based on these facts, the Attorney General and the Superintendent find that Willis unlawfully deceived its clients by (a) steering clients' insurance business to favored insurance companies, (b) unnecessarily running business through its wholly owned wholesaler, Stewart Smith, and (c) leveraging its retail brokerage business in order to obtain reinsurance brokerage business.

24. Willis is cooperating with the Attorney General's and the Superintendent's Investigations.

25. In the wake of the issuance of the subpoenas and the Attorney General's Investigation and the Superintendent's Investigation, Willis has adopted and under this Assurance of Discontinuance (the "Assurance"), and a corresponding Stipulation with the Superintendent, will continue to implement a number of business reforms governing the conduct of Willis's employees.

26. The Attorney General and Willis wish to enter into this Assurance to resolve all issues related to Willis in the Attorney General's Investigation.

27. The Attorney General finds the relief and agreements contained in this Assurance appropriate and in the public interest. The Attorney General is willing to accept this Assurance of Discontinuance pursuant to Executive Law § 63(15), in lieu of commencing a statutory proceeding.

28. The Superintendent and Willis will simultaneously with the Assurance enter into a Stipulation to resolve all issues related to Willis in the Superintendent's Investigation. The Superintendent finds the relief and agreements contained in this Assurance and the corresponding Stipulation appropriate and in the public interest.

29. This Assurance is entered into solely for the purpose of resolving the Attorney General's Investigation, and is not intended to be used for any other purpose;

30. Without admitting or denying any of the above allegations, Willis is entering into this Assurance and the Stipulation.

31. Neither this Assurance, nor any acts performed nor documents executed in

furtherance of this Assurance, may be used as an admission of the above allegations.

WHEREAS Willis accepts responsibility for and deeply regrets the behavior described above, recognizing that certain of its employees failed to abide by Willis's standards of conduct in their dealings with its clients;

NOW THEREFORE Willis and the Attorney General hereby enter into this Assurance and agree as follows:

**MONETARY RELIEF**

1. Willis North America Inc. shall pay \$50,000,000 into a fund (the "Fund") on or before July 1, 2005 to be paid to Willis's U.S. policyholder clients who retained Willis to place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides. All of the money paid into the Fund and any interest earned thereon shall be paid to such policyholder clients pursuant to this Assurance. No portion of the Fund shall be considered a fine or a penalty. This sum is in full satisfaction of Willis's obligations hereunder, and neither the Attorney General nor the Superintendent shall seek to impose on Willis any other financial obligation or liability related to the above allegations.

2. Willis shall (a) by July 31, 2005 calculate, in accordance with a formula approved by the Attorney General, the amount of money each of the U.S. policyholder clients who retained Willis to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Willis between January 1, 2001 through December 31, 2004 (the "Relevant Period"), is eligible to receive; (b) within ten (10) days of completing these calculations, file a report with the Attorney General and the Superintendent,

certified by an officer of Willis, setting forth: (1) each client's name and address; (2) the client's insurer(s), product line(s) and policy(ies) purchased and policy number(s); (3) the amount the client paid in premiums or consulting fees for each such policy; (4) for each such policy, the amount of contingent commission or override revenue recorded by Willis during the Relevant Period attributable to that policy, in accordance with a calculation approved by the Attorney General and the Superintendent; and (5) the amount of contingent commission or override revenue each client is eligible to receive for each such policy and in the aggregate for all such policies pursuant to this Assurance; and (c) by August 20, 2005, send a notice, subject to the approval of the Attorney General and the Superintendent, to each client eligible to be paid from the Fund, setting forth items (2) through (5), above, and stating that the amount paid may increase if there is less than full participation by eligible clients in the Fund. For the purposes of this paragraph, "U.S. policyholder clients" means U.S.-domiciled policyholder clients and policyholder clients who retained Willis's U.S. offices to place, renew, consult on or service insurance.

3. Clients eligible to receive a distribution from the Fund shall have until December 20, 2005 to request a distribution. Eligible clients who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 1. In the event that any eligible client elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Willis to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall a distribution be made from the Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to ¶ 2 above; nor shall the total payments from the Fund to any Non-Participating Policyholder exceed 80% of that Non-Participating

Policyholder's original allocated share. If any funds remain in the fund as of February 20, 2006, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

4. In no event shall any of the funds in the Fund be used to pay attorney fees.

5. On February 1, 2006, Willis shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General and the Superintendent. On or before March 15, 2006 Willis shall file a report with the Attorney General and the Superintendent, certified by an officer of Willis, listing all amounts paid from the Fund.

#### **BUSINESS REFORMS**

6. Within sixty (60) days of the effective date of this Assurance and the Stipulation, Willis shall undertake (to the extent not already undertaken) the following business reforms.

##### **A. Permissible Forms of Compensation**

7. In connection with its insurance brokerage, agency, producing, consulting and other services in placing, renewing, consulting on or servicing any insurance policy, Willis shall accept only: a specific fee to be paid by the client; a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; or a combination of both. Willis shall accept no such commissions unless, before the binding of any such policy: (a) Willis in plain, unambiguous written language fully discloses such commissions, in either dollars or percentage amounts; and (b) the U.S. client consents in writing. Nothing in this paragraph relieves Willis of complying with additional requirements imposed by law.

including the requirements for written documentation relating to fees paid directly by clients. Willis may not retain interest earned on premiums collected on behalf of insurers without prior notification to the client, and only when such retention is consistent with the requirements of, and is permitted by, applicable law.

8. Willis shall not hereafter, except as set forth in the preceding paragraph, directly or indirectly accept or request any thing of material value from an insurance company including, but not limited to, money, credits, loans, forgiveness of principal or interest, vacations, prizes, gifts or the payment of employee salaries or expenses (hereinafter collectively "Compensation").

**B. Prohibition of Contingent Compensation**

9. In placing, renewing, consulting on or servicing any insurance policy, Willis shall not directly or indirectly accept from or request of any insurer any Contingent Compensation. For purposes of this Assurance, Contingent Compensation is any Compensation contingent upon Willis's: (a) placing a particular number of policies or dollar value of premium with the insurer, (b) achieving a particular level of growth in the number of policies placed or dollar value of premium with the insurer, (c) meeting a particular rate of retention or renewal of policies in force with the insurer, (d) placing or keeping sufficient insurance business with the insurer to achieve a particular loss ratio or any other measure of profitability, (e) providing preferential treatment in the placement process, including but not limited to the giving of last looks, first looks, rights of first refusal, or limiting the number of quotes sought from insurers for insurance placements, or (f) obtaining anything else of material value for the insurer.

**C. Prohibition of "Pay-To-Play" Arrangements**

10. In placing, renewing, consulting on or servicing any insurance policy, Willis shall not directly or indirectly accept from or request of any insurer any Compensation in connection with Willis's selection of insurance companies from which to solicit bids for its clients.

**D. Prohibition of "Bid-Rigging" Arrangements**

11. In placing, renewing, consulting on or servicing any insurance policy, Willis shall not directly or indirectly knowingly accept from or request of any insurer any false, fictitious, inflated, artificial, "B" or "throw away" quote or indication, or any other quote or indication except for a quote or indication that represents the insurer's best evaluation at the time when the quote or indication is given of the minimum premium the insurer would require to bind the insurance coverage desired by Willis's client. Nothing herein shall preclude Willis from accepting or requesting any bona fide quote or indication.

**E. Prohibition of Reinsurance Brokerage "Leveraging"**

12. In placing, renewing, consulting on or servicing any insurance policy, Willis shall not directly or indirectly accept from or request of any insurer any promise or commitment to use any of Willis's brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in ¶ 9 (a) - (f), above.

**F. Prohibition of Inappropriate Use of Wholesalers**

13. In placing, renewing, consulting on or servicing any insurance policy, Willis shall not directly or indirectly knowingly place, renew, consult on or service its clients' insurance business through a wholesale broker unless agreed to by the client after full disclosure of (a) the

Compensation received or to be received by Willis, (b) any Willis interest in or contractual agreements with the wholesaler, and (c) any alternatives to using a wholesaler.

**G. Mandated Disclosures to Clients**

14. Willis in placing, renewing, consulting on or servicing any insurance policy shall in writing: (a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Willis in connection with the coverage of the client's risk with all terms, including but not limited to any Willis interest in or contractual agreements with any of the prospective insurers, and all Compensation to be received by Willis for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client; (b) provide disclosure to each client and obtain written consent in accordance with ¶ 7 of this Assurance for each client, and (c) disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client's policy.

**H. Standards of Conduct and Training**

15. Willis shall implement company-wide written standards of conduct regarding Compensation from insurers, consistent with the terms of this Assurance, subject to approval of the Superintendent, which implementation shall include, *inter alia*, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, anti-trust and trade practices compliance, and record keeping.

16. Willis shall not place its own financial interest ahead of its clients' interests in determining the best available insurance product or service for its clients. Willis shall communicate with its clients in sufficient detail to enable them to make informed choices on insurance products or services, and shall provide complete and accurate information to prospective and current clients on all proposals and bids received from insurers, including the amount of Compensation or other things of value that were or will be paid to Willis by each insurer.

**I. Prohibition Against Violating New York Law**

17. Willis shall not directly or indirectly engage or attempt to engage in violations of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 et seq.), the Martin Act (Gen. Bus. Law § 352-c) and the New York Insurance Law, including without limitation, Article 24, Unfair Methods of Competition and Unfair and Deceptive Acts and Practices (Insurance Law § 2401 et seq.).

**J. Limitation on Extraterritorial Effect**

18. The provisions of paragraphs 7 through 16 shall apply only to those Willis entities that (a) service clients domiciled in the United States; (b) place, renew, consult on or provide services for policies covering risks in the United States; or (c) are, themselves, domiciled in the United States.

**MONITORING COMPLIANCE AND REPORTING**

19. Willis shall establish a Compliance Committee of the Board of Directors of Willis which shall monitor Willis's compliance with the standards of conduct regarding Compensation from insurers and shall report on a quarterly basis to the Board of Directors the results of its monitoring activities for a period of five (5) years from the effective date of this Assurance.

20. Willis shall maintain a record of all complaints received concerning any Compensation from an insurer which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee's quarterly report and to the Superintendent annually commencing from the effective date of this Assurance.

21. The Board of Directors of Willis shall file annual reports with the Superintendent on compliance with the standards of conduct regarding Compensation arrangements for five (5) years commencing in December 2005, which shall also include the amount of each form of Compensation received by Willis from each insurer with which it placed insurance during the preceding year.

**COOPERATION WITH THE ATTORNEY GENERAL**

22. Willis shall fully and promptly cooperate with the Attorney General with regard to his Investigation, and related proceedings and actions, of any other person, corporation or entity, including but not limited to Willis's current and former employees, concerning the insurance industry. Willis shall use its best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Attorney General in his Investigation and related proceedings and actions. Cooperation shall include without limitation: (a) production voluntarily and without service of subpoena of any information and all documents or other tangible evidence

reasonably requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General reasonably requests be prepared; (b) without the necessity of a subpoena, having Willis's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by the Attorney General and having such persons answer any and all inquiries that may be put by the Attorney General (or any of the Attorney General's deputies, assistants or agents) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (c) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries reasonably made by the Attorney General concerning any fraudulent or criminal conduct whatsoever about which it has any knowledge or information; (d) in the event any document is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Willis indicating: (1) the type of document; (2) the date of the document; (3) the author and recipient of the document; (4) the general subject matter of the document; (5) the reason for withholding the document; and (6) the Bates number or range of the withheld document. The Attorney General may challenge such claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by Willis, its officers, directors, employees, or agents; and (e) Willis shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the Attorney General. Nothing herein shall prevent Willis from providing such evidence to other regulators, or as otherwise required by law.

23. Willis shall comply fully with the terms of this Assurance. If Willis violates the terms of ¶ 22 in any material respect, as determined solely by the Attorney General: (a) the Attorney General may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (b) as to any criminal prosecution brought by the Attorney General for violation of law committed within six years prior to the date of this Assurance or for any violation committed on or after the date of this Assurance, Willis shall waive any claim that such prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

**COOPERATION WITH THE SUPERINTENDENT**

24. Willis shall be subject to annual examination by the Superintendent for five (5) years at Willis' expense beginning in 2005. Willis shall fully cooperate with the Superintendent in such examinations. Willis shall additionally provide private secure office space, photocopying equipment and any other administrative or clerical resources necessary to assist in any examination, as well as all relevant data, provided upon request by the Superintendent in electronic or computerized format. The Superintendent may coordinate such examinations with other states.

**OTHER PROVISIONS**

25. Willis shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Assurance.

26. The Attorney General will not initiate a case against Willis related to the matters uncovered to date relating to the subject matter of this Assurance, or the subject matter of any subpoena sent to Willis as of the date of this Assurance by the Attorney General's Investigation.

27. Neither this Assurance nor the Stipulation is intended to disqualify Willis, or any current employees of Willis, from engaging in any business in New York or in any other jurisdiction. Nothing in this Assurance or the Stipulation shall relieve Willis's obligations imposed by any applicable state insurance law or regulations or other applicable law.

28. This Assurance shall not confer any rights upon any persons or entities besides the Attorney General and Willis.

29. Willis agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any of the Attorney General's or the Superintendent's findings in this Assurance or the Stipulation or creating the impression that the findings are without factual basis. Nothing in this paragraph affects Willis's (a) testimonial obligations or (b) right to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Attorney General is not a party.

30. Willis shall maintain custody of, or make arrangements to have maintained, all documents and records of Willis related to this matter for a period of not less than six (6) years.

31. The Attorney General may make such application as appropriate to enforce or interpret the provisions of this Assurance, or in the alternative, maintain any action, either civil or criminal, for such other and further relief as the Attorney General may determine is proper and necessary for the enforcement of this Assurance. If compliance with any aspect of this Assurance proves impracticable, Willis reserves the right to request that the parties modify the Assurance accordingly.

32. In any application or in any such action, facsimile transmission of a copy of any papers to current counsel for Willis shall be good and sufficient service on Willis unless Willis

designates, in a writing to the Attorney General, another person to receive service by facsimile transmission.

33. Facsimile transmission of a copy of this Assurance to counsel for each defendant shall be good and sufficient service on Willis.

34. This Assurance shall be governed by the laws of the State of New York without regard to conflict of laws principles.

35. This Assurance may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 7th day of April, 2005.

ELIOT SPITZER, ESQ.

\_\_\_\_\_  
Attorney General  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

SULLIVAN & CROMWELL LLP

By:   
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

Attorneys for

WILLIS GROUP HOLDINGS LTD,  
WILLIS NORTH AMERICA and  
WILLS OF NEW YORK, INC.

  
William P. Bowden Jr., Esq.  
General Counsel  
Willis Group Holdings Limited

## EXHIBIT I

### GENERAL RELEASE

This RELEASE (the "Release") is executed this \_\_\_ day of \_\_\_\_\_, 2005 by RELEASOR (defined below) in favor of RELEASEE (defined below).

### DEFINITIONS

"RELEASOR" refers to [fill in name \_\_\_\_\_] and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of RELEASOR.

"RELEASEE" refers to Willis Group Holdings LTD and any of its subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including, without limitation, any of their respective present or former officers, directors, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers (collectively, "Willis").

"Assurance" refers to a certain Assurance between Willis and the Attorney General of the State of New York ("NYAG") dated February \_\_\_, 2005, relating to an investigation commenced against Willis by NYAG.

### RELEASE

1. In consideration for the total payment of \$ \_\_\_\_\_ in accordance with the terms of the Assurance, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all claims, demands, debts, rights, causes of action or liabilities whatsoever, including known and unknown claims, now existing or hereafter arising, in law, equity or otherwise, whether under state, federal or foreign statutory or common law, and whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity (collectively, "claims"), to the extent any such claims are based upon, arise out of or relate to, in whole or in part, any of the allegations, acts, omissions, transactions, events, types of conduct or matters that are the subject of the Attorney General's Investigation, except for claims which are based upon, arise out of or relate to the purchase or sale of Willis securities.

2. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Willis in connection with any claims that RELEASOR may assert against Willis, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Willis.

3. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the internal laws of the State of New York, without giving effect to choice of law principles, except to the extent that federal law requires that federal law governs. Any disputes arising out of or related to this RELEASE shall be subject to the exclusive jurisdiction of the Supreme Court of the State of New York or, to the extent federal jurisdiction exists, the United States District Court for the Southern District of New York.

4. Releasor represents and warrants that the claims have not been sold, assigned or hypothecated in whole or in part.

Dated: \_\_\_\_\_

RELEASOR: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX B**  
***STIPULATION***



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

----- X  
In the Matter of

**WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA, INC., WILLIS OF NEW YORK, INC., WILLIS RE INC., WILLIS OF WISCONSIN, INC., WILLIS OF TEXAS, INC., WILLIS OF SEATTLE, INC., WILLIS OF TENNESSEE, INC., WILLIS OF NORTH CAROLINA, INC., WILLIS OF OHIO, INC., WILLIS OF OREGON, INC., WILLIS OF PENNSYLVANIA, INC., WILLIS OF MICHIGAN, INC., WILLIS OF MINNESOTA, INC., WILLIS OF NEW HAMPSHIRE, INC., WILLIS OF NEW JERSEY, INC., WILLIS OF MASSACHUSETTS, INC., WILLIS OF MARYLAND, INC., WILLIS OF LOUISIANA, INC., WILLIS OF KANSAS, INC., WILLIS OF ILLINOIS, INC., WILLIS INSURANCE SERVICES OF GEORGIA, INC. d.b.a. WILLIS INSURANCE BROKERAGE OF GEORGIA, WILLIS INSURANCE SERVICES OF CALIFORNIA, INC. d.b.a. WILLIS INSURANCE BROKERAGE OF CALIFORNIA, WILLIS OF ARIZONA, INC., WILLIS OF ALABAMA, INC., WILLIS LIFE INSURANCE AGENCY OF OHIO, INC., STEWART SMITH EAST, INC.,**

**STIPULATION**  
No. 2005- 0057-S

Respondents.  
----- X

**WHEREAS**, Willis of New York, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) and 2103(b) of the Insurance Law and as a reinsurance intermediary under Section 2106 of the Insurance Law; Willis Insurance Services of Georgia, Inc. d.b.a. Willis Insurance Brokerage of Georgia is licensed as an agent under Section 2103(b) of the Insurance Law; Willis Life Insurance Agency of Ohio, Inc. is licensed as an agent under Section 2103(a) of the Insurance Law; Willis of Alabama, Inc. is licensed as an agent under section 2103(a) of the Insurance Law; Willis of Arizona, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) and 2103(b) of the Insurance Law; Willis Insurance Services of

California, Inc. d.b.a. Willis Insurance Brokerage of California is licensed as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law and as a life broker under Section 2104 (b)(1)(A) of the Insurance Law; Willis of Illinois, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Willis of Kansas, Inc. is licensed as an agent under Section 2103(b) of the Insurance Law; Willis of Louisiana, Inc. is licensed as an agent under Section 2103(a) and 2103(b) of the Insurance Law; Willis of Maryland, Inc. is licensed as an agent under Section 2103(a) and 2103(b) of the Insurance Law and there is pending with this Department an application filed by Willis of Maryland, Inc. for a license to act as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law; Willis of Massachusetts, Inc. is licensed as a broker under Section 2104 of the Insurance Law; Willis of New Jersey, Inc. is licensed as a broker under Section 2104 of the Insurance Law; Willis of New Hampshire, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) and 2103(b) of the Insurance Law; Willis of Minnesota, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as a life broker under Section 2104(b)(1)(A) of the Insurance Law; Willis of Michigan, Inc. is licensed as an agent under Section 2103(b) of the Insurance Law; Willis of Pennsylvania, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) and 2103(b) of the Insurance Law; Willis of Oregon, Inc. is licensed as a broker under Section 2104 of the Insurance Law; Willis of Ohio, Inc. is licensed as a broker under Section 2104 of the Insurance Law; Willis of North Carolina, Inc. is licensed as an agent under Section 2103(a) of the Insurance Law; Willis of Tennessee, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Willis of Seattle, Inc. is licensed as a broker under Section 2104 of the Insurance Law; Willis of Texas, Inc. is licensed as an agent under Section 2103(b) of the Insurance Law; Willis of Wisconsin, Inc. is licensed as an agent under Section 2103(b) of the Insurance Law; Willis RE Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law and as a reinsurance intermediary under Section 2106 of the Insurance Law; and Stewart Smith East, Inc. is licensed as a broker under Section 2104 of the Insurance Law and as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(b) of the Insurance Law and as a reinsurance intermediary under Section 2106 of the Insurance Law;

**WHEREAS**, all of the foregoing Respondents are wholly owned subsidiaries of Respondent Willis Group Holdings Ltd., which is a Bermuda corporation; and

**WHEREAS**, pursuant to the provisions of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 *et seq.*), and the Martin Act (Gen. Bus. Law § 352-c), Eliot Spitzer, Attorney General of the State of New York (the "Attorney General") caused an investigation to be made of Respondents Willis Group Holdings Ltd., Willis North America, Inc. and Willis of New York, Inc. (collectively "Willis") related to its practices in the purchasing, renewal, placement or servicing of insurance for its clients (the "Attorney General's Investigation"); and the Superintendent of Insurance of the State of New York (the "Superintendent"), pursuant to Insurance Law § 305, conducted an

investigation of Willis related to its practices in the purchasing, renewal, placement or servicing of insurance for its clients (the "Superintendent's Investigation"); and

**WHEREAS**, the Attorney General's Investigation has been resolved pursuant to an Assurance of Discontinuance Pursuant to Executive Law § 63(15), dated April 7, 2005 (the "Assurance"), a copy of which is annexed hereto and incorporated herein; and

**WHEREAS**, the Attorney General's Investigation and the Superintendent's Investigation have resulted in certain findings of fact regarding the business practices of Willis, as set forth in paragraphs 1 through 22 of the Assurance; and

**WHEREAS**, based upon the aforementioned findings of fact, the Attorney General and the Superintendent have determined that Willis unlawfully deceived its clients by: (a) steering clients' insurance business to favored insurance companies; (b) unnecessarily running business through its wholly owned wholesaler, Stewart Smith; and (c) leveraging its retail brokerage business in order to obtain reinsurance brokerage business; and

**WHEREAS**, based upon the foregoing, Respondents may be charged with violations of the Insurance Law and/or insurance Department Regulations; and

**WHEREAS**, Respondents have been advised and are aware of their statutory right to notice and a hearing on any such charges; and

**WHEREAS**, Willis is cooperating with the Attorney General's Investigation and the Superintendent's Investigation and has adopted and under the Assurance and this Stipulation will continue to implement a number of business reforms governing the conduct of Willis's employees; and

**WHEREAS**, the Superintendent finds the relief and agreements contained in the Assurance and this Stipulation appropriate and in the public interest; and

**WHEREAS**, Respondents desire to resolve any such possible charges by entering into a Stipulation on the terms and conditions hereinafter set forth in lieu of proceeding with a hearing in this matter; **NOW THEREFORE**,

**IT IS HEREBY STIPULATED AND AGREED** by and between the Respondents and the New York State Insurance Department ("Department"), subject to the approval of the Superintendent, as follows:

1. Respondents waive their right to further notice and hearing in this matter, and agree to fully comply with all of the terms and conditions of the Assurance.
2. Respondents agree to cooperate fully in all Department examinations of Respondents and in all Department investigations of current or former employees of Respondents or licensees of the Department.

3. Respondents acknowledge that this Stipulation may be used against them in any future Department proceeding if there is reason to believe the terms of the Assurance or this Stipulation have been violated by Respondents, or if the Department institutes disciplinary action against any Respondent for any reason other than the acts considered herein.

Dated: New York, NY  
April 9, 2005

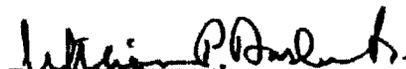
NEW YORK STATE INSURANCE DEPARTMENT

By:

  
\_\_\_\_\_  
Jon G. Rothblatt  
Principal Attorney

WILLIS GROUP HOLDINGS LTD, WILLIS NORTH AMERICA, INC., WILLIS OF NEW YORK, INC., WILLIS RE INC., WILLIS OF WISCONSIN, INC., WILLIS OF TEXAS, INC., WILLIS OF SEATTLE, INC., WILLIS OF TENNESSEE, INC., WILLIS OF NORTH CAROLINA, INC., WILLIS OF OHIO, INC., WILLIS OF OREGON, INC., WILLIS OF PENNSYLVANIA, INC., WILLIS OF MICHIGAN, INC., WILLIS OF MINNESOTA, INC., WILLIS OF NEW HAMPSHIRE, INC., WILLIS OF NEW JERSEY, INC., WILLIS OF MASSACHUSETTS, INC., WILLIS OF MARYLAND, INC., WILLIS OF LOUISIANA, INC., WILLIS OF KANSAS, INC., WILLIS OF ILLINOIS, INC., WILLIS INSURANCE SERVICES OF GEORGIA, INC. d.b.a. WILLIS INSURANCE BROKERAGE OF GEORGIA, WILLIS INSURANCE SERVICES OF CALIFORNIA, INC. d.b.a. WILLIS INSURANCE BROKERAGE OF CALIFORNIA, WILLIS OF ARIZONA, INC., WILLIS OF ALABAMA, INC., WILLIS LIFE INSURANCE AGENCY OF OHIO, INC., STEWART SMITH EAST, INC.,

By:

  
\_\_\_\_\_  
Name: William P. Bowden, Jr.  
Title: General Counsel  
Willis Group Holdings Limited





**AMENDMENT #1 TO ASSURANCE OF DISCONTINUANCE PURSUANT TO EXECUTIVE LAW § 63(15) BETWEEN THE ATTORNEY GENERAL OF THE STATE OF NEW YORK AND WILLIS GROUP HOLDINGS LTD, WILLIS NORTH AMERICA INC. AND WILLIS OF NEW YORK, INC. (collectively "WILLIS") DATED APRIL 7, 2005 (hereinafter, the "Assurance")**

WHEREAS, the parties have agreed to amend the Assurance to extend the time for Willis to complete calculating the amount of money each U.S. policyholders is eligible to receive;

NOW THEREFORE, the parties agree that

A. Paragraph 2 of the Monetary Relief section of the Assurance shall be amended as follows:

2. Willis shall (a) by September 26, 2005 calculate, in accordance with a formula approved by the Attorney General, the amount of money each of the U.S. policyholder clients who retained Willis to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Willis between January 1, 2001 through December 31, 2004 (the "Relevant Period"), is eligible to receive; (b) within one (1) day of completing these calculations, file a report with the Attorney General and the Superintendent, certified by an officer of Willis, setting forth: (1) each client's name and address; (2) the client's insurer(s), product line(s) and policy(ies) purchased and policy number(s); (3) the amount the client paid in premiums or consulting fees for each such policy; (4) for each such policy, the amount of contingent commission or override revenue recorded by Willis during the Relevant Period attributable to that policy, in accordance with a calculation approved by the Attorney General and the Superintendent; and (5) the amount of contingent commission or override revenue each client is eligible to receive for each such policy and in the aggregate for all such policies pursuant to this Assurance; and (c) by October 1, 2005, send a notice, subject to the approval of the Attorney General and the Superintendent, to each client eligible to be paid from the Fund, setting forth items (2) through (5), above, and stating that the amount paid may increase if there is less than full participation by eligible clients in the Fund. For the purposes of this paragraph, "U.S. policyholder clients" means U.S.-domestic policyholder clients and policyholder clients who retained Willis's U.S. offices to place, renew, consult on or service insurance.

B. Paragraph 3 of the Monetary Relief section of the Assurance shall be amended as follows:

3. Clients eligible to receive a distribution from the Fund shall have until February 1, 2006 to request a distribution. Eligible clients who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 1. In the event that any eligible client elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Willis to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall

a distribution be made from the Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to ¶ 2 above; nor shall the total payments from the Fund to any Non-Participating Policyholder exceed 80% of that Non-Participating Policyholder's original allocated share. If any funds remain in the fund as of April 1, 2006, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

C. Paragraph 5 of the Monetary Relief section of the Assurance shall be amended as follows:

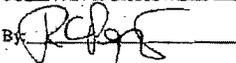
5. On March 10, 2006, Willis shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General and the Superintendent. On or before April 25, 2006 Willis shall file a report with the Attorney General and the Superintendent, certified by an officer of Willis, listing all amounts paid from the Fund.

WHEREFORE, the following signatures are affixed hereto on this 4<sup>th</sup> day of August, 2005.

ELIOT SPITZER

Attorney General of the  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

SULLIVAN & CROMWELL LLP

By: 

Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

Attorneys for

WILLIS GROUP HOLDINGS LTD.  
WILLIS NORTH AMERICA  
WILLIS OF NEW YORK, INC.

**AMENDMENT #2**

**TO THE ASSURANCE OF DISCONTINUANCE PURSUANT TO EXECUTIVE LAW § 63(15) BETWEEN THE ATTORNEY GENERAL OF THE STATE OF NEW YORK AND WILLIS GROUP HOLDINGS LTD, WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC. (collectively "WILLIS") DATED APRIL 7, 2005 (hereinafter, the "Assurance") and**

**AMENDMENT #1**

**TO THE STIPULATION ENTERED INTO BY THE NEW YORK INSURANCE DEPARTMENT WITH WILLIS AND CERTAIN WILLIS AFFILIATES AS SPECIFIED THEREIN (collectively "WILLIS GROUP") DATED APRIL 8, 2005 (hereinafter, the "Stipulation")**

WHEREAS, the parties recognize that part of Willis's business is to act as a managing general agent or underwriting manager for insurance carriers; and

WHEREAS, the parties have agreed to amend the Assurance to clarify the permissible means by which Willis may act and be compensated as a managing general agent or underwriting manager;

NOW, THEREFORE, the parties hereby agree that the Assurance shall be clarified and amended as follows:

1. Paragraph 7 of the Assurance is hereby amended, such that the following shall be added after the second sentence of Paragraph 7:

"The parties agree that the preceding two sentences shall not apply to MGA Compensation, which Willis may receive when and to the extent it acts as an MGA.

As used herein,

(a) Willis shall be acting as an "MGA" when: (i) Willis has been appointed by an insurer as a managing general agent or an underwriting manager, to be the insurer's representative in connection with the management of such insurer's book of business with respect to a specific product or product line; and (ii) in such capacity, Willis (A) communicates with prospective insureds only through professional insurance brokers (including those units of Willis which act in such capacity on behalf of insureds), and (B) places all such business for such product or product line only with and for such insurer, and

(b) "MGA Compensation" means the Compensation Willis receives from the appointing insurer as consideration for the MGA services Willis renders to such insurer."

2. Paragraph 9 of the Assurance is hereby amended, such that the following sentence shall be added at the conclusion thereof:

"The parties agree that this Paragraph shall not apply to MGA Compensation."

3. Clause (a) of the first sentence of Paragraph 13 of the Assurance is hereby deleted, and the following shall be added in its place and stead:

"a) the Compensation received or to be received by Willis (other than MGA Compensation),"

4. Paragraph 14 of the Assurance is hereby amended, such that the following sentence shall be added at the conclusion thereof:

"The parties agree that this Paragraph shall not apply to MGA Compensation."

5. Other than as amended above, the Assurance shall remain in full force and effect.

6. All references in the Stipulation to the Assurance of Discontinuance shall be deemed to include this Amendment.

7. This Amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 31 day of August, 2006.

ELIOT SPITZER

HOWARD MILLS

*by*

*Ausad Donnellan, Dep Supt. + Gen Counsel*

\_\_\_\_\_  
Attorney General of the  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

\_\_\_\_\_  
Superintendent of Insurance  
New York State Insurance Department  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited,  
Willis North America Inc. and  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By: \_\_\_\_\_

Mary E. Caiazzo  
Assistant General Counsel  
Willis Group Holdings Limited

"The parties agree that this Paragraph shall not apply to MGA Compensation."

3. Clause (a) of the first sentence of Paragraph 13 of the Assurance is hereby deleted, and the following shall be added in its place and stead:

"a) the Compensation received or to be received by Willis (other than MGA Compensation),"

4. Paragraph 14 of the Assurance is hereby amended, such that the following sentence shall be added at the conclusion thereof:

"The parties agree that this Paragraph shall not apply to MGA Compensation."

5. Other than as amended above, the Assurance shall remain in full force and effect.

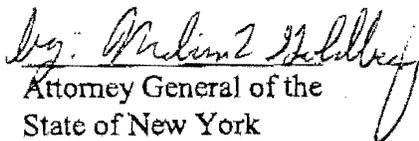
6. All references in the Stipulation to the Assurance of Discontinuance shall be deemed to include this Amendment.

7. This Amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 31<sup>st</sup> day of August, 2006.

ELIOT SPITZER

HOWARD MILLS

By:   
Attorney General of the  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

\_\_\_\_\_  
Superintendent of Insurance  
New York State Insurance Department  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited,  
Willis North America Inc. and  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By: \_\_\_\_\_  
Mary Caiazzo  
Assistant General Counsel  
Willis Group Holdings Limited

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6. All references in the Stipulation to the Assurance of Discontinuance shall be deemed to include this Amendment.

7. This Amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this \_\_\_\_ day of August, 2006.

ELIOT SPITZER

HOWARD MILLS

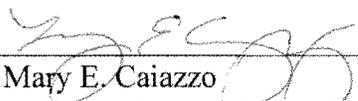
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Attorney General of the  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

---

Superintendent of Insurance  
New York State Insurance Department  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited,  
Willis North America Inc. and  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By:   
Mary E. Caiazzo  
Assistant General Counsel  
Willis Group Holdings Limited

a distribution be made from the Fund to any other policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to ¶ 2 above; nor shall the total payments from the Fund to any Non-Participating Policyholder exceed 80% of that Non-Participating Policyholder's original allocated share. If any funds remain in the fund as of April 1, 2006, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

C. Paragraph 5 of the Monetary Relief section of the Assurance shall be amended as follows:

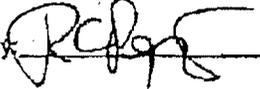
5. On March 10, 2006, Willis shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General and the Superintendent. On or before April 25, 2006 Willis shall file a report with the Attorney General and the Superintendent, certified by an officer of Willis, listing all amounts paid from the Fund.

WHEREFORE, the following signatures are affixed hereto on this 4<sup>th</sup> day of August, 2005.

ELIOT SPITZER

\_\_\_\_\_  
Attorney General of the  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

SULLIVAN & CROMWELL LLP

By 

Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

Attorneys for

WILLIS GROUP HOLDINGS LTD.  
WILLIS NORTH AMERICA  
WILLIS OF NEW YORK, INC.

**AMENDMENT # 3**

**TO THE ASSURANCE OF DISCONTINUANCE PURSUANT TO EXECUTIVE LAW § 63(15) BETWEEN THE ATTORNEY GENERAL OF THE STATE OF NEW YORK AND WILLIS GROUP HOLDINGS LTD, WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC. (collectively "WILLIS") DATED APRIL 7, 2005 (hereinafter, the "Assurance") and**

**AMENDMENT #2**

**TO THE STIPULATION ENTERED INTO BY THE NEW YORK INSURANCE DEPARTMENT WITH WILLIS AND CERTAIN WILLIS AFFILIATES AS SPECIFIED THEREIN (collectively "WILLIS GROUP") DATED APRIL 8, 2005 (hereinafter, the "Stipulation")**

WHEREAS, pursuant to paragraph 31 of the Assurance, the parties recognize that Willis has the right to request that the parties modify this Agreement if compliance with any aspect of this Agreement proves impracticable; and

WHEREAS, the parties have agreed to amend the Assurance to permit Willis to engage in certain business practices, consistent with the terms and conditions of this Agreement;

NOW, THEREFORE, the parties hereby agree that the Assurance shall be clarified and amended as follows:

1. Paragraph 7 of the Assurance is hereby amended, such that the first and second sentences shall be amended to read as follows:

"In connection with its insurance brokerage, agency, producing, consulting and other services in placing, renewing, consulting on or servicing any insurance policy, Willis shall accept only: a specific fee to be paid by the client; a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; a specific fee for service(s) to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; or a combination of fee and commission. Willis shall accept no such commissions or fees unless, before the binding of any such policy, or provision of any such service: (a) Willis in plain, unambiguous written language fully discloses such commissions or fees in either dollars or percentage amounts, and the specific nature of each service for which fees are to be received; and (b) the U.S. client consents in writing."

2. Paragraph 14 of the Assurance is hereby amended in its entirety to read as follows:

“Willis in placing, renewing, consulting on or servicing any insurance policy shall in writing: a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Willis in connection with the coverage of the client’s risk with all terms, including but not limited to any Willis interest in or contractual agreements with any of the prospective insurers, and all Compensation to be received by Willis for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client; b) provide disclosure to each client and obtain written consent in accordance with ¶ 7 of the Assurance for each client and (c) disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client’s policy, provided that the Superintendent and the Attorney General may modify or limit such annual disclosure requirements in order to reduce unreasonable administrative burden upon Willis. The parties agree that this Paragraph shall not apply to MGA Compensation.”

3. Paragraph 21 of the Assurance is hereby amended in its entirety to read as follows:

“The Board of Directors of Willis shall file annual reports with the Superintendent on compliance with the standards of conduct regarding Compensation arrangements for five (5) years commencing in December 2005, which shall also include the amount of each form of Compensation received by Willis from each insurer with which it placed insurance during the preceding year, provided that the Superintendent may modify or limit such annual report requirements in order to reduce unreasonable administrative burden upon Willis.”

4. Other than as amended above, the Assurance shall remain in full force and effect.

5. All references in the Stipulation to the Assurance of Discontinuance shall be deemed to include this Amendment.

6. This Amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 22<sup>nd</sup> day of August, 2007.

Honorable Andrew Cuomo

Honorable Eric Dinallo

By: Martin Z. Hallberg, AAG  
Attorney General  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

\_\_\_\_\_  
Suprintendent of Insurance  
New York State Insurance  
Department  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited  
Willis North America Inc.  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By: \_\_\_\_\_  
Mary E. Cajazzo  
Chief Legal Officer  
1 World Financial Center  
200 Liberty Street, 7<sup>th</sup> Floor  
New York, NY 10281

WHEREFORE, the following signatures are affixed hereto on this 22<sup>nd</sup> day of August, 2007.

Honorable Andrew Cuomo

Honorable Eric Dinallo

---

Attorney General  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

---

Superintendent of Insurance  
New York State Insurance  
Department  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited  
Willis North America Inc.  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By:   
Mary E. Carazzo  
Chief Legal Officer  
1 World Financial Center  
200 Liberty Street, 7<sup>th</sup> Floor  
New York, NY 10281

WHEREFORE, the following signatures are affixed hereto on this 22 day of August, 2007.

Honorable Andrew Cuomo

\_\_\_\_\_  
Attorney General  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

Honorable Eric Dinallo

*ED*  
*[Signature]*  
\_\_\_\_\_  
Superintendent of Insurance  
New York State Insurance  
Department  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited  
Willis North America Inc.  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By: \_\_\_\_\_  
Mary E. Caiazzo  
Chief Legal Officer  
1 World Financial Center  
200 Liberty Street, 7<sup>th</sup> Floor  
New York, NY 10281

*ASST. DEPT. Supt. & COUNSEL*

**AMENDMENT # 4**

**TO THE ASSURANCE OF DISCONTINUANCE PURSUANT TO EXECUTIVE LAW § 63(15) BETWEEN THE ATTORNEY GENERAL OF THE STATE OF NEW YORK AND WILLIS GROUP HOLDINGS LTD, WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC. (collectively "WILLIS") DATED APRIL 7, 2005 (hereinafter, the "Assurance") and**

**AMENDMENT #3**

**TO THE STIPULATION ENTERED INTO BY THE NEW YORK INSURANCE DEPARTMENT WITH WILLIS AND CERTAIN WILLIS AFFILIATES AS SPECIFIED THEREIN (collectively "WILLIS GROUP") DATED APRIL 8, 2005 (hereinafter, the "Stipulation")**

WHEREAS, the parties recognize that Willis from time to time has competitive interests in acquiring brokerage companies; and

WHEREAS, the parties recognize that most of these brokerage companies continue to accept forms of Compensation prohibited by the Assurance; and

WHEREAS, the parties have agreed that permitting Willis to make such acquisitions will enable Willis to transition the regional and local brokerage companies from their current Compensation practices to the transparent, clear, and conflict-free Compensation practices agreed in this Assurance is in the best interests of insurance consumers; and

WHEREAS, the parties have agreed to amend the Assurance to permit Willis to phase-out prohibited Compensation from acquired entities over an orderly and efficient period, consistent with the terms and conditions of this Agreement;

NOW, THEREFORE, the parties hereby agree that the Assurance shall be clarified and amended as follows:

1. Paragraph 7 of the Assurance is hereby amended, such that the first and second sentences shall be amended to read as follows:

"Subject to Paragraph 9.2, in connection with its insurance brokerage, agency, producing, consulting and other services in placing, renewing, consulting on or servicing any insurance policy, Willis shall accept only: a specific fee to be paid by the client; a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; a specific fee for service(s) to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the insurance policy; or a combination of fee and commission. Willis shall accept no such commissions or fees unless, before the binding of any such policy, or provision of any such

service: (a) Willis in plain, unambiguous written language fully discloses such commissions or fees in either dollars or percentage amounts, and the specific nature of each service for which fees are to be received; and (b) the U.S. client consents in writing.”

2. Paragraph 9 shall be renumbered 9.1.

3. A new Paragraph 9.2 shall be inserted into the Assurance reading:

“Notwithstanding the preceding paragraph, in the event Willis acquires a controlling share in an insurance brokerage firm, partnership or company (“acquired company”) that currently is not prohibited from accepting Contingent Compensation, Willis shall not be in violation of this Assurance if Willis (a) transitions the acquired company so that the acquired company no longer accepts Contingent Compensation on business placed on behalf of existing clients no later than three years after the effective date of the acquisition; (b) prohibits the acquired company from accepting Contingent Compensation on (i) any business placed on behalf of existing clients for which the acquired company was not receiving Contingent Compensation on the effective date of the acquisition, and (ii) all business placed on behalf of any new clients produced on and after the effective date of the acquisition; (c) clearly identifies to the acquired company’s existing clients the form and basis of Compensation accepted by the acquired company during the transition period, and gets consent from the U.S. client to keep all Compensation at the first renewal of each policy consistent with the procedures outlined in Paragraph 14; (d) makes the acquired company subject to all of the other Business Reforms agreed in the Assurance within 180 days of the acquisition, or at the later renewal of each policy if compliance cannot be completed with regard to that policy within the 180 day period; and (e) informs the New York State Insurance Department of the status of the implementation of Business Reforms every 90 days after the acquisition until all existing clients have renewed or implementation is completed, whichever is sooner. For purposes of this paragraph, “existing client” is an insurance client of the acquired company for which an insurance policy or product produced by the acquired company is in effect on the effective date of the acquisition; “new client” is any client of the acquired company other than an existing client. It is the intention of the parties that the purpose of this Paragraph is to bring any company acquired by Willis into compliance with the Compensation practices agreed to in this Assurance in as orderly fashion as possible; nothing in this Paragraph shall be used or be construed to otherwise circumvent the requirements of this Assurance.”

4. A new Paragraph 9.3 shall be inserted into the Assurance reading:

“If Willis acquires a company, and elects to continue to accept Contingent Compensation during the transition period in accordance with Paragraph 9.2 above, then Willis shall modify its website and all other public pronouncements regarding the Compensation it receives from insurers to clearly disclose (a) that it

accepts Contingent Compensation with respect to policies of existing clients of acquired companies during a three-year transition period after the acquisition; and (b) the names and locations, including branch offices, of those acquired companies, together with the respective dates that the transition periods end.

5. Paragraph 14 of the Assurance is hereby amended by adding the following sentence to the end of the Paragraph:

“To the extent any Contingent Compensation received during the period permitted by Paragraph 9.2 cannot be defined with certainty prior to binding, Willis will describe the methods of determining and the best estimated amount of such compensation in as reasonable detail as possible and will comply with the remaining requirements of this Paragraph.”

6. Other than as amended above, the Assurance shall remain in full force and effect.
7. All references in the Stipulation to the Assurance of Discontinuance shall be deemed to include this Amendment.
8. This Amendment may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 28 day of May, 2008.

Honorable Andrew Cuomo

New York State Insurance Department

By: Michael Berlin  
Attorney General  
State of New York  
120 Broadway, 25<sup>th</sup> Floor  
New York, NY 10271

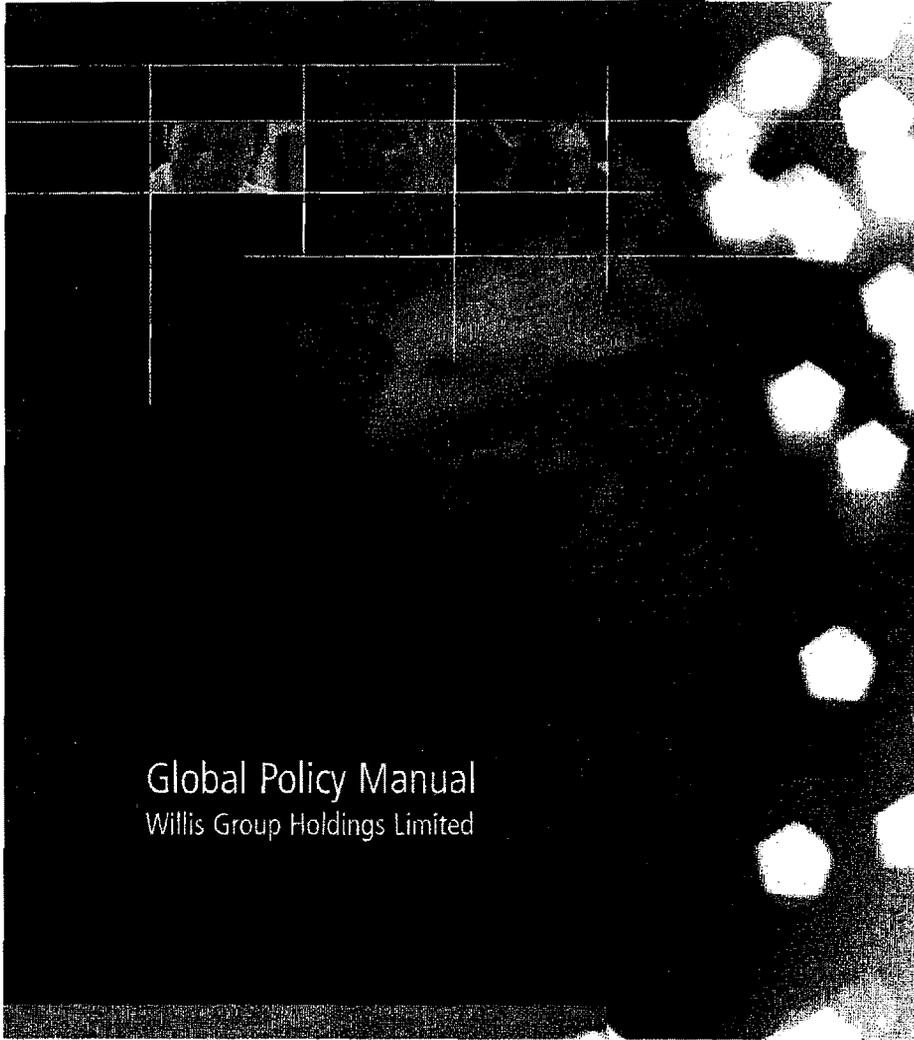
By: [Signature]  
Robert H. Easton  
Deputy Superintendent & General Counsel  
25 Beaver Street  
New York, NY 10004

Willis Group Holdings Limited  
Willis North America Inc.  
Willis of New York, Inc. and  
for purposes of the Stipulation,  
on behalf of the Willis Group

By: [Signature]  
Adam G. Congoli  
Group General Counsel  
1 World Financial Center  
200 Liberty Street, 7<sup>th</sup> Floor  
New York, NY 10281

**APPENDIX D**  
**COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES**

**Exhibit 1 – Global Policies Manual**



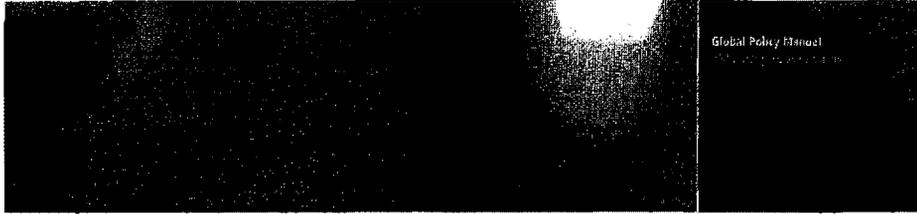
Global Policy Manual  
Willis Group Holdings Limited

Willis

**Remember:** If in doubt,  
Ask First, Act Later.

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**Remember:** If in doubt,  
Ask First, Act Later.

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Remember: If in doubt, Ask First, Act Later.



## Chairman's Introductory Letter

### Dear Colleague

Every Associate can be proud of what Willis has achieved during the past few years. Through the efforts of the whole Willis team, we are well on the way to creating the world's greatest insurance broker.

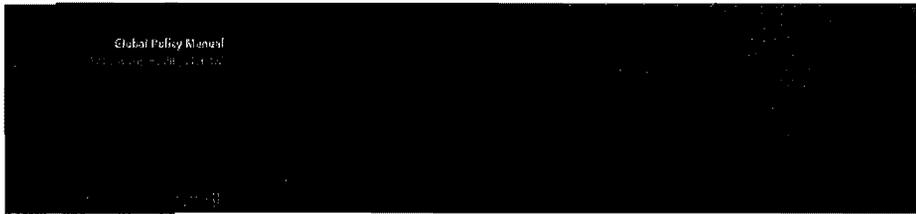
Such success in turn makes us proud of the reputation that Willis enjoys. Reputation is not built simply on great financial results, it includes the very basis of who we are and how we act. Above all, it reflects our adherence to the very highest standards of business and personal behavior in everything we do.

This manual, which brings together policies on a range of subjects, is designed to help Associates know what is expected of them. Much of it is common sense; some of it is new; all of it is vital to ensuring we conduct ourselves in a manner befitting a truly world class organization, in which an unwavering commitment to integrity and mutual respect are key hallmarks.

Please read this manual carefully and let it be your guide to how Willis expects its Associates to act. So fundamental is its subject matter to the success of the Group and its Associates that, if you have any questions about any aspect of it, you should feel free to raise the matter directly with me.



**Joe Plumeri**  
Chairman and Chief Executive Officer



**Remember:** If in doubt,  
Ask First, Act Later.

## A. Our Ethical Code



### 1. Introduction

The Willis Group Global Policy Manual, which will be referred to throughout as the Manual, sets out Willis' commitment to good business practice and ethics to which the Group Board expects all Associates to adhere to. In the Manual references to "Associates" should be read as inclusive of all directors, officers and employees of Willis. The Willis policy is to require all Associates to conduct themselves appropriately to avoid improper behavior or even the appearance of improper behavior. Honesty, ethical conduct and integrity is expected of all Associates at all times.

The Manual will be distributed to agents, consultants, independent contractors, and representatives of Willis who are expected to abide by all of its relevant provisions.

Associates involved in the Company's Corporate communications disclosure process described below, in Section 2(b) of the Code include, without limitation, the Chairman and Chief Executive Officer, Group Financial Officer and Group Financial Controller ("Senior Financial Officers").

Parts A and F of the Manual shall be Willis' Code of Business Conduct and Ethics for purposes of Section 303A of the New York Stock Exchange Listed Company Manual and Willis' Code of Ethics for Senior Financial Officers for purposes of Item 406 of Regulation S-K under the Securities Act of 1934.



The Manual covers a wide range of practices and procedures but inevitably will not cover all situations. The policies in this Manual are not meant to cover all

policies or laws, and in some cases are often stricter than the law in the countries in which Willis operates. The Manual is subject to applicable laws and where any policy is to differ in any country such difference is subject to the clearance via the Office of the General Counsel. You will find that the Manual contains references to other manuals or sources of information.

Finally, Willis will use its influence with its associate companies or any person seeking to act as a representative of Willis to demonstrate an intention to have or to adopt similar ethics and standards as those contained in this Manual.

### 2. Adherence to laws and regulations

Willis is committed to complying with all applicable governmental laws, rules, regulations and accounting standards. It is the personal responsibility of each Associate to adhere to the standards and restrictions imposed by these laws, rules and regulations. If a law, regulatory requirement, local custom or practice appears to conflict with the policies set out in this Manual, you should speak to your business unit Compliance Officer or Group Compliance on how to best resolve the situation. Willis does not expect Associates to know all the details of all laws and regulations but it is important that each Associate knows enough to determine when to seek advice from their business unit Compliance Officer or from Group Compliance. Conflicts that may arise between this Manual and any law, local custom or practice and which cannot be dealt with by Compliance will be decided by the Group General Counsel.

**Remember:** If in doubt,  
Ask First, Act Later.

### 3. Relationships

#### a. Clients and Prospects

Willis has adopted a Client Bill of Rights which is our commitment to upholding the highest standards of integrity in our industry and how we deliver the Willis Value Experience. In summary, Associates should act in good faith and in the interests of their clients at all times, when providing services. Generally Associates should be transparent in their dealings particularly about the compensation received for services provided to clients and:

- Use reasonable endeavours to obtain information from new clients and prospects to understand their needs and requirements.
- Ensure that clients are made fully aware of the extent of any role Willis will take in a transaction, including Willis' and the client's obligations both to each other and to other parties involved, such as insurers.
- Provide information that our clients need in a timely and comprehensive manner, to enable clients to take balanced and informed decisions.
- Provide objective and impartial advice in the interests of our clients.

Associates should not:

- Breach Willis' Business Principles.
- Misrepresent in any way the cost of the product and/or any services provided to the client.
- Disclose confidential information to any third party without the explicit consent of the information owner unless required to do so by law or regulatory notice and authorized by either Group

Compliance or Group Legal. This does not prevent disclosing information as may be necessary to fulfil our objectives in the conduct of our business.

This does not prevent disclosing information as may be necessary to fulfil our objectives in the conduct of our business.

#### b. Corporate Communications.

Willis, in accordance with the corporate governance principles to which it is subject, will be transparent in its corporate communications which will be full, fair, accurate, timely and understandable. Further, those Associates particularly involved in the preparation of corporate communications, including financial statements and documents filed with the Securities and Exchange Commission are required to comply with this communications policy.

#### c. Conflicts of Interest.

A "conflict of interest" will exist when an Associate's personal interest interferes in any way with the interests of Willis or that of its clients. A conflict situation will arise when an Associate takes actions or has interests that may make it difficult to perform his or her work for Willis objectively and effectively.

A conflict situation may also arise when an Associate, or a member of their immediate family, receives inappropriate personal benefits, including those not necessarily giving an economic benefit, as a result of their position in Willis.

Conflicts of interest may not always be clear-cut and if you have a question, you should speak to your business unit Compliance Officer or Group Compliance. Conflicts

[Click here  
to view the entire page](#)

**Remember:** If in doubt,  
Ask First, Act Later.



of interest are prohibited and difficult or complex issues relating to a conflict of interest should be referred to the Group General Counsel, for resolution.

#### **d. Associates**

##### **i. General.**

Willis' relations with Associates are based on respect for the dignity of the individual. Willis recruits and promotes Associates on the basis of their suitability for the task without discrimination in terms of race, religion, national origin, color, gender, age, marital status or disability unrelated to the task at hand or on any other inappropriate or unlawful basis.

Willis in return expects Associates to adhere to the principles of ethical behavior and good business practice set out in this Manual. Further it expects Associates to be aware of and abide by the policies set out in the appropriate staff handbooks, which can be obtained either on the Group HR Online intranet site, or from your local HR representative, and from those manuals that support this Manual.

##### **ii. Other Appointments and Directorships.**

Associates are expected to use all their efforts to fulfill their duties and obligations to Willis. No Associate will serve as a director, officer, employee or consultant of a company or entity that is not part of Willis unless the Associate's Partners Group member, with the agreement of the Group General Counsel, has granted permission. An Associate may act as a Willis representative on a trade association or similar organisation or where the organisation involved is a non-profit, civic, educational, social or religious organisation, and prior disclosure has been made to his or her Partners Group member and has the support of his or her line manager.

##### **iii. Property Speculation.**

No Associate or member of his or her immediate family may directly or indirectly invest in property which the Associate has knowledge of Willis' interest or possible interest.

##### **iv. Loans**

No Associate should borrow or lend money from or to any individual firm, insurance or reinsurance company with which Willis conducts business. This policy does not include loans on normal terms from a financial institution, insurance or reinsurance company offered to an Associate in the ordinary course of business where the Associate becomes a normal private customer.

##### **v. Protection of Group Assets**

All Associates should endeavor to protect Willis' assets and ensure their efficient use. No Associate should use, or permit others to use, Willis' facilities, material, equipment or personnel for personal use or gain. Any suspected incident of fraud or theft should be reported immediately for investigation.

It should be remembered that assets belonging to Willis include proprietary information such as trade marks, trade secrets, patents and copyrights, as well as marketing and service plans, designs, databases, records and any unpublished financial data and reports. Unauthorized use or distribution of this information is not permitted and Associates should note that such use or distribution could be illegal and result in civil or even criminal penalties, as well as internal disciplinary action.

Remember: If in doubt,  
Ask First, Act Later.

vi. Use of Company Name

Willis owns the rights to use the names of the companies in the Group. The use of any Willis company name is restricted solely for the conduct of Willis business. No Associate should use, or permit to be used, any Willis company name for any other business, political activity or other activity not connected with Willis business. Use of the "Willis" name by a third party can only be authorized by the Partners Group.

vii. Confidential Information

Associates must maintain the confidentiality of proprietary or confidential information entrusted to them by Willis or its clients, except when disclosure is authorized by Group Compliance or the Group Legal Department on the basis that such disclosure is required by law or an appropriate regulator.

The term "confidential" or "proprietary information" relates, but not exclusively, to:

- Willis business strategies.
- Contracts, negotiations or arrangements with other parties.
- Proposed transactions such as acquisitions or dispositions of stock or assets by Willis.  
Financial, accounting and cost information not publicly disclosed by Willis.
- Associate benefits or other compensation arrangements or agreements not otherwise publicly disclosed by Willis.
- Operation manuals, prospecting manuals and guidelines, sales aids, industry specific research and manuals, marketing manuals and sales and marketing techniques of Willis.
- Computer based tools or models.

- Past and present clients of Willis as well as the persons, firms and companies whom are active prospective clients for services.
- Markets or companies from which Willis obtains products for its clients.
- The types of insurance services and related coverage or products which Willis provides and the internal corporate policies related thereto.
- The products purchased by or for the clients of Willis, including expiration dates and the terms and conditions of such.
- Individual clients' risk specification or characteristics.
- Information concerning the available insurance markets for particular risks.

For the purpose of this policy, confidential information shall include, in addition to the specific categories set out above, any information developed by or related to Willis that is not officially disclosed by management through established channels of communication which would be useful to others, including those:

- Competing with Willis.
- Soliciting or receiving insurance services.
- Supplying services or goods to the Group.

e. Policy for Dealing in Securities

i. Introduction

Willis securities are listed on the New York Stock Exchange and Willis is subject to the Securities Exchange Act in the United States. As a consequence, Willis is required to have a policy for dealing in securities particularly as it relates to individual Associates who may have access to "material inside" information.

[Click here to return to the table of contents.](#)



Remember: if in doubt,  
Ask First, Act Later.



Generally speaking, what constitutes "inside" information is information that is "non-public". Information is "material" if it has market significance in the sense that the disclosure of such information is likely to affect the market price of the securities to which it relates. Typical examples of such information are a company's financial results or a major corporate transaction, such as a merger or large acquisition. Non-public information is not material if there is no substantial likelihood that its public disclosure would have any significant market effect.

Willis has therefore adopted a policy for dealing in securities to cover not only dealings by Associates in Willis securities but the securities of clients because our role for clients will sometimes give Associates access to "material inside" information about them. All Associates are expected to adhere to the Willis policy.

i. Our Policy

No Associate should deal in Willis securities or the securities of a client if he or she is in the possession, by reason of his/her employment, of "material inside" information. Further, no Associate should share with a third party (including immediate family members) "material inside" information that is "non-public," with the intent of the third party buying securities in Willis or a client, either for an Associate or any member of his or her family or with the expectation that the Associate will benefit from sharing the said information.

Further, Associates should take care in dealing in Willis securities in the periods before Willis

announces its earnings, as this is considered to be a sensitive time for such transactions. The current periods prior to the announcement of earnings are:

- From 1 January until two trading days after the publication of Willis' Annual Results i.e. mid February.
- From 1 April, 1 July and 1 October until two trading days after the announcement of Willis' results for the prior relevant quarter i.e. normally at the end of April, July and October.

Associates who breach the Willis policy will be subject to appropriate Willis disciplinary proceedings. In addition, a breach could result in criminal or civil proceedings being brought against the Associate by regulatory authorities.

"Willis Securities" for the purposes of the policy are Willis common shares and any other publicly held debt or equity securities of Willis which may be issued in the future. In addition, "Willis Securities" means any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion right to another Willis security.

iii. Additional restrictions on Willis Directors, Group Executives and certain Associates. Willis Directors, Members of the Partners Group, Members of the Partners Council and certain Associates are subject to certain other restrictions before they can deal in securities of Willis. All covered individuals will have been separately advised of these restrictions.

**Remember:** If in doubt,  
Ask First, Act Later.

#### iv. Queries

Given the potentially severe criminal or civil consequences to Associates of a wrong decision, Associates who are uncertain whether any information they possess is "material inside" information or whether they should deal in a period prior to the announcement of Willis' earnings should contact either the Group Compliance Director or the Group General Counsel for advice before completing a transaction.

Further details of the policy can be obtained from either Group Legal or Group Compliance.

#### f. Licensing

No Associate may engage in any business activity on behalf of Willis which requires any form of registration with a licensing body or regulatory organisation, unless he or she is registered and qualified accordingly. If an Associate takes up a position requiring such registration or qualification the Associate will be expected to complete the necessary requirements without delay.

Further, it is the responsibility of each Associate to ensure that if they conduct activities which require licensing and there are ongoing requirements, such as continuing education or renewal of registrations that they meet these requirements. If an Associate fails to meet these ongoing requirements and risks having their registration or license being suspended they must inform their business unit Compliance Officer or Group Compliance.

#### g. Whistleblowing Policy

Willis aims to create a climate of opportunity for all Associates to voice genuinely held concerns about

behavior, or decisions or actions that they perceive to be unethical. Willis has adopted a "Whistleblowing Policy" and Associates are encouraged to follow it wherever they have genuine concerns. The Whistleblowing Policy sets out a procedure for Associates to raise these genuine concerns in a suitable, confidential manner, directly with Group Compliance. Every effort will be made to protect the anonymity of Associate where this is necessary. The Whistleblowing policy can be found on the Group HR Online intranet site or can be obtained from your local HR representative.

All Associates are expected to co-operate in all internal investigations and to co-operate with all external investigations as directed by Willis' advisors.

#### h. Regulators

Willis will comply with the rules and requirements of all the regulators to whom it is subject in each of the markets that it operates in and will, on the advice of its advisers, comply with any requests for assistance or information.

Willis will not engage in restrictive trade practices or abuse any position of dominance. Willis will not seek to evade its fiscal obligations in each country that it operates.

#### i. Competitors

Willis will always compete vigorously but honestly, keeping in mind the basic requirements of honesty, ethical conduct and integrity at all times. Willis seeks to outperform its competition fairly and seeks competitive advantages through superior performance, never through inappropriate business practices.

**Check here**  
for the Whistleblowing Policy

Remember: If in doubt,  
Ask First, Act Later.

[Click Here](#)  
to return to the table of contents.

Associates should not disclose to any competitor any proprietary or confidential information nor should Associates try to obtain information regarding a competitor's business by inappropriate means. Each Associate should endeavor to respect the rights of and deal fairly with the Willis clients, suppliers, competitors and other Associates. No Associate should take unfair advantage of anyone through bribery, manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

**j. International Business and Relationships**

Willis favors consistent practices and procedures in its subsidiaries whilst recognising that there are different customs and practices in the countries in which Willis operates. Willis will work for multilateral action aimed at achieving an appropriate common standard and any Associate who is unsure as to how to apply the procedures set out in this Manual or any other manual referred to, in any given country, should discuss the matter with their business unit Compliance Officer.

**k. Fraud**

Willis will not tolerate fraud or dishonest acts. Any fraudulent, dishonest, or other such illegal acts may be treated as gross misconduct and Associates may be subject to the strictest disciplinary action available in the relevant country as well as possible legal action.

Fraud or dishonest acts may include manipulation of records, theft and misappropriation of funds or property, misuse of information, records and

equipment and bribes and inappropriate payments. If any Associate is aware or has suspicions that a fraud or dishonest activity is or may be being conducted, they should follow the procedure set in the 'Whistleblowing' Policy set out in section g. above. This is essential as the chances of a successful investigation and resolution of a fraud, or elimination of suspicions, may be seriously affected by taking the wrong actions.

**l. Acceptance or Provision of Business Gifts and Entertainment**

Willis recognizes that business gifts and entertainment are a customary part of our business with clients, markets and suppliers throughout the countries in which we operate. Our policy on the giving and receiving of business gifts and entertainment has always been - and continues to be - to act reasonably, to respect the different business customs and practices faced by Willis in countries throughout the world, and to avoid the creation of any appearance of a conflict of interest or a commercial obligation.

Willis has adopted guidelines to reinforce this policy. Associates should refer to and comply with the Willis Policy when receiving or giving gifts, business entertainment or other things of material value. This policy can be found on the Group Compliance intranet site.

Our policy generally requires Associates not to accept or request anything of material value from a client, insurance or reinsurance company or supplier. Material value is currently defined as \$100 or

**Remember:** If in doubt,  
Ask First, Act Later.

equivalent value in other currencies. The Willis policy also provides guidelines and requirements for monitoring and for Associates to receive approval and to register the receipt of gifts or hospitality where there is any doubt or the value involved exceeds the sum specified in the policy.

#### **m. Inappropriate Payments**

No Associate shall offer any form of compensation to any public official, representative of a private employer or any party with whom Willis conducts business, or who is a prospective client, for the purpose of obtaining or retaining business for or directing business to Willis.

This policy does not prevent the use of appropriate "introducer agreements" or commission/fee sharing agreements.

Similarly, no Associate may accept any form of compensation from any client or prospective client or another individual or organization on securing for that party any preferential treatment from Willis.

#### **n. Unethical Behavior**

Unethical behavior will not be tolerated either in Willis' own activities or those with whom Willis seeks to do business.

Unethical behavior includes, but is not limited to, bribery, embezzlement, fraud, insider trading, money laundering, theft or entering into an unusual arrangement without prior approval. An unusual arrangement is one, which is not in the ordinary course of business for the business unit or Willis.

#### **o. Code Waivers**

From time to time Willis may waive some provisions of this Ethical Code. Any waiver of the Code for directors and executive officers of Willis may be made only by the Board of Directors of Willis. All such waivers will be promptly disclosed in accordance with the rules of the Securities and Exchange Commission and the New York Stock Exchange.

**Click here**  
to view the Code Waivers page.

**Remember:** If in doubt,  
Ask First, Act Later.

## B. Our Business Principles



### 1. General Principles

All Associates must work to ensure prompt and consistent action with the policies set out in this Manual. We cannot anticipate every situation that will arise but it is important that we have a way to approach a new question or problem. Always consider the following:

- make sure you have all the facts.
- what exactly are you being asked to do?
- does it appear to be illegal or unethical?
- use your common sense and business experience to judge, but if you are in any doubt discuss the issue with your manager, business unit, Compliance Officer, Group Compliance or Group Legal.

**Remember: If in doubt, Ask first. Act later.**

### 2. The Willis Client Bill of Rights

The Willis Client Bill of Rights is our commitment to upholding the highest standards of integrity in our industry and how we deliver the Willis Value Experience. All clients and prospective clients will receive a copy of the Willis Client Bill of Rights together with a toll-free number to give us feedback on the quality of our service. Clients can comment, critique and suggest areas for improvement. Willis values client input.

Adherence to the 10 principles in the Willis Client Bill of Rights is enforced by a series of enhanced internal controls, including regular compliance reviews, audits and review by the Audit Committee of the Willis Board of Directors.

### 3. Contingency Compensation from Insurers

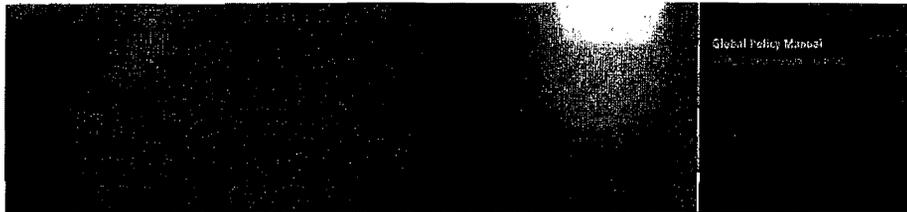
Willis does not accept contingency compensation from insurers. Questions on contingency compensation should be referred to Group Legal or Group Compliance.

### 4. Prohibited Activities

In placing, renewing, consulting on or servicing any insurance policy Willis will not directly or indirectly:

- (i) knowingly accept from or request of any insurer any false, fictitious, inflated, artificial, "B" or "throw away" quote or indication, or any quote or indication that does not represent the insurer's best evaluation at the time when the quote or indication is given of the minimum premium the insurer would require to bind the insurance coverage desired by the client;
- (ii) accept from or request of any insurer any compensation in connection with Willis' selection of insurance companies from which it solicits bids; and
- (iii) accept from or request of any insurer any promise or commitment to use any of Willis' brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon the receipt of contingent compensation or obtaining anything else of material value for the insurer.

The prohibition in (i) and (ii) does not apply to permissible compensation from insurers.



**Remember:** If in doubt,  
Ask First, Act Later.

### 5. Documentation

Willis has different responsibilities for document retention throughout the world. Associates should consult business unit Compliance Officers, Group Compliance or Group Legal for specific guidance relating to individual countries. The policy in this Manual should be seen as general guidance.

Willis principles for documentation retention are to:

- keep all business records, which may affect substantially the obligations of the Group, for an appropriate period of time, which will reasonably assure the availability of those records when needed;
- identify vital records and ensure they are appropriately safeguarded and incorporated in any disaster recovery plan;
- ensure the privacy and security of records are appropriately assured; and
- ensure that all non-insurance records are kept for a minimum retention period.

### 6. Disclosure of Remuneration

Willis discloses to its client all remuneration received on the services provided to such client. The Willis disclosure policy is in addition to applicable legal or regulatory requirements.

The Willis policy on how we are paid is based on three basic principles, which all Associates should always follow:

- we will not take a secret profit. Our income for the tasks performed for a client will be earned in accordance with local laws and will be disclosed to the client as required by such laws;
- we will not act in conflict with the interests of our client;
- we will not mislead our client or the markets we use.

If any Associate has a doubt about the way in which we are receiving payment for services they should speak to their business unit Compliance Officer or contact Group Compliance.

### 7. Advertisements

In all advertising and other public communications, untruths, misleading and exaggerated statements must be avoided.

### 8. Complaints

At Willis we do everything we can to ensure our clients receive the service that represents their best interest. However, at Willis we recognise that sometime our services may not meet expectations. Therefore, operating companies within Willis have adopted complaints procedures and Associates are required to follow such procedures so that complaints can be dealt with properly.

Complaints from clients on our receipt of compensation from insurers are referred to Group Compliance for investigation and response.



Remember: If in doubt,  
Ask First, Act Later.



### 9. Errors & Omissions

Associates should not admit to any potential error or omission immediately upon discovery or on receipt of a complaint. All complaints, errors or omissions, potential or actual, must be reported immediately to Group Legal, in either Nashville or London, as appropriate. Subsequent action must be in compliance with instructions issued by either of those departments.

All Associates must be able to identify a problem, which could become an error or omission claim requiring reporting to Group Legal. Two types of situation are likely to arise:

- an actual claim; or
- circumstances likely to give rise to a claim

Claims include all indications, formal and informal, written or oral, that any person, whether client or underwriter, intends to hold a Willis company responsible for some loss or difficulty. No matter how trivial or unjustified the complaint appears to be, it must be reported immediately either to your business unit Compliance Officer or directly to Group Legal. Identifying circumstances likely to give rise to a claim is much more difficult as a complaint may not actually have been received. Examples of such situations may be an unplaced risk or an error noted from a review of the file which the client or underwriter has not, as yet, noticed and may never notice. All cases must be reported.

All communications about errors and omissions sent to Group Legal should be marked "Confidential and subject to the rules of legal privilege". All Associates

should read and follow the guidelines in the Willis booklet headed "Errors and Omissions; Do's and Don'ts" which is available from your usual HR contact.

### 10. Anti-Money Laundering

Many countries in which Willis operates, including the United States of America and the United Kingdom, have laws against money laundering and terrorist financing. Willis will not knowingly be part of any transaction or series of transactions, which are intended to change the identity of the source of money obtained from illegal activities to make it appear as if it originated from a legitimate source.

Associates should be aware that attempts to launder money through the global insurance markets are increasingly prevalent and that any Associate knowingly involved or assisting in such activities may face severe legal penalties under their relevant country's laws as well as appropriate internal disciplinary proceedings.

Money laundering is often very complicated and hard to notice. Associates should therefore make, or ensure that, appropriate checks have been made to determine the true identity of any Willis client and that there is a continuing process of understanding a client's business and the source of their funds. Any suspicious activities such as the cancellation of policies soon after inception or payment of claims monies to unconnected third parties should be reported immediately to Group Compliance who will conduct any investigation and take any subsequent actions required, should there be a need.

**Remember:** if in doubt,  
Ask First, Act Later.

### 11. International Sanctions and Boycotts

Willis companies will conduct business in their countries of operation in accordance with any applicable trade restrictions, export controls or anti-boycott laws and regulations imposed by such countries.

Any request to include prohibited boycott terms, conditions, or language in any contracts or other documents must be reported to Group Compliance.

For assistance on International Sanctions and Boycotts contact Group Compliance.

### 12. Competition and Anti-trust Laws

Willis' policy is to comply with competition and anti-trust laws worldwide. These laws are complex and if there are any queries you should refer either to Group Legal or Group Compliance.

Generally, you should not either orally or in writing, engage with a competitor in any restrictions with regard to client allocation, use of markets, availability of product or services, or in any action which could influence the price of a product or our remuneration.

You can however participate in industry groups, associations or dialogues for the purpose of enhancing the integrity, fairness and efficiency of the marketplace for clients or product providers and increase competition.

### 13. Market Security

Willis sees the review of market security as occupying an important position in our business process, in order to assist clients and Associates in the selection of the security most appropriate to the clients particular requirements. However, Willis does not guarantee the financial strength or solvency of any Insurer utilised.

Associates can find further details on the Willis policy on market security on the Market Security Intranet site.

**Click here**  
to return to Intranet site.

Remember: If in doubt,  
Ask First, Act Later.

## C. Our Procedures



### 1. Data Security

Willis data systems, which allow electronic mail and data exchange, have become a core element in the way we all conduct business and carry out our jobs. It is therefore vital that all Associates are fully aware of their responsibilities under the Corporate Data Policy, the Corporate Data Policy Practices and the Personal Code of Conduct to ensure that Willis' information assets and the systems which process them are fully protected. Full details of the Corporate Data Policy and related documents can be found in the security section of the Information Services Intranet site.

Associates should only access Willis systems in conjunction with the conduct of Willis business. No Associate should permit third parties to access Willis systems or data without the appropriate approval of their manager and suitable IS advisers. Associates should be aware that leaving their computers unattended, without proper password protection, especially when outside Willis offices could allow unauthorised access to Willis systems and information. Associates supplied with laptops should ensure that appropriate measures are taken to avoid theft or unauthorised use of a laptop.

If data sharing with an external third party is required appropriate advice should be taken from Group Legal and IS to ensure that we ensure continued ownership of data and that there is no threat to the security of our systems. Proper consideration needs to be given as to regulatory requirements for Data Protection in all locations - Associates should be fully aware that mis-use of Willis systems is a disciplinary offence

Finally, Associates are reminded that no software should be loaded onto the Willis system without prior authorization from your IS representative. The introduction of viruses to the Willis system could cause significant damage to Willis and copying software without the correct license could expose both individual Associates and Willis to claims from third parties.

### 2. Group Property & Facilities

All Associates should make themselves aware of the Corporate Real Estate Policy and Guidelines to ensure that they understand the rules of use and safety measures for each of the Willis properties. Associates should ensure that only authorized use of Willis properties is allowed and that they report immediately any suspicious activities to a member of the security staff or the Office Manager. All Associates are expected to carry suitable identity with them at all times whilst on Willis property and are expected to produce it at the request of a member of the security staff or Office Manager. Further details can be found on the Group Workplace Services Intranet site.

### 3. Occupational Health and Safety

Willis is committed to providing a safe and healthy environment having regard to relevant laws in each of the locations in which Willis operates. Associates have a duty to themselves and their fellow Associates to ensure that they are fully aware of their own obligations. Associates should refer to the Group Workplace Services Intranet site for guidance relevant to their location or speak to their Office Manager for further information.

**Remember:** if in doubt,  
Ask First, Act Later.

#### 4. Disaster Recovery

All business units are required to have suitable procedures in place to ensure the ability of that unit to continue business activities in the event of that business unit being affected by a disastrous event. Associates should be aware of the disaster recovery plan for their office or business unit and understand what is expected of them personally if such an event occurs. Associates should contact their manager if they have queries on a disaster plan or contact the Global Disaster Emergency Planning Manager.

#### 5. Expense Management

All Associates will be reimbursed for reasonable, ordinary, and necessary expenses incurred while conducting Willis business, subject to all of the terms and conditions of the Group Expense Management Policy. Expenses must be properly documented and reported on approved Expense Reports together with supporting evidence of the expenses. Whilst Associates are expected neither to lose nor gain financially when travelling on Willis business, it is expected that each Associate will be prudent in judgment regarding expenses and will comply with the policies set out in the Group Expense Management Policy.

Full details of the Group Expense Management Policy are set out in the Expense Management intranet site, which establishes policies and procedures and provides guidance for those purchases and expenses that are settled directly through Accounts Payable. When making purchase decisions on behalf of the Group, Associates should not distinguish between whether expenditure is incurred by them directly and reimbursed, or whether it is invoiced directly to the Group.

#### 6. Use of External Lawyers

No Associate should retain an external lawyer nor incur any costs with an external law firm without the prior written authority of the Head of the appropriate business unit and Group, UK or US General Counsel, even if a client, or insurer will be responsible for payment of the invoice. Prior to any legal invoice being submitted for payment, a legal invoice approval form must be completed. Associates should refer to the Group, UK or US General Counsel for further advice.

#### 7. Use of External Consultants

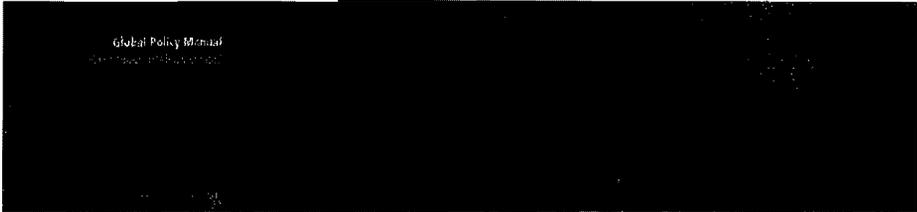
The use of external consultants should be kept to a minimum and their use must be justified. Pre-approval for expenditure on external consultants should be obtained in accordance with the terms of the Group Expense Management Policy.

Associates should be aware that external consultants, even those who may once have been employed by Willis are not Associates and should therefore only have access to information appropriate to the task for which they are being retained.

#### 8. Contract Management

All Associates, before making any commitments on behalf of Willis which involve unusual contractual provisions or are otherwise out of the ordinary course of business (for example, unusual terms in policy wording, agreeing to provide guarantees/indemnities, products or services which require unusual amounts or types of group resources such as IS, Operations, Finance or Accounting Services), should consult with the relevant Legal Department of the resource group to be affected.

**Click here**  
to return to the contract page.



**Remember:** If in doubt,  
Ask FIRST, Act LATER.



Associates should also be aware that Willis has internal controls as to which GEC member may authorize certain activities such as entering into property leases or acquiring businesses. Advice on these controls should be sought from the appropriate Group Legal Department.

Remember: *Think, do, act.*  
Ask First, Act Later.

## D. Our Communications Policy

### 1. General

All Associates are expected to conduct themselves in a professional manner reflecting Willis high standards in all communications, whether such communications are internal or external and whether oral, written, or electronic in nature.

The responsibility for how Willis is promoted externally rests with the Group Communications Department. Any Business Unit must consult with the Group Communications Department prior to committing to any form of communication or design. If the cost of any such communication or design project is likely to exceed \$1,000, or equivalent value, prior agreement must be obtained in accordance with the Group Expense Management Policy.

Communications for the purpose of this policy should be seen as encompassing dealing with the media, advertising including directories and gifts, production of general public relations or marketing materials and internal publications such as Associate newsletters.

### 2. Communications with the media

All contact with the media (television, radio, newspapers or magazines) must be conducted through or in conjunction with the Group Communications Department. If an unsolicited call is received from the media, you should politely advise that the matter has to be referred to the Group Communications Department for a response.

### 3. External Releases, Marketing and Advertising

All external releases must be approved by the Group Communications Department who will ensure amongst other things that the Willis standard visual corporate identity is adhered to. In addition, any expenditure on any marketing or advertising must be approved in accordance with the Group Expense Management Policy.

### 4. Communications with Regulators

Any communications received from Regulators should be sent to the appropriate Business Unit Compliance Officer or Group Compliance for guidance. Response to any communication from a regulator should only be undertaken on the advice of Group Compliance.

### 5. Communications with Shareholders or Securities Houses

Any contact received from Shareholders or from stockbrokers or securities houses in connection with Willis stock should be referred to the Group Investor Relations Director who will co-ordinate an appropriate response.

### 6. Electronic Communications

Every e-mail sent, telephone call made or voice message left must be conducted in a professional manner that will leave the recipient in no doubt as to the high standards of conduct maintained at Willis. Associates should not consider any form of electronic communication as having a lower requirement for professional standards. Any Associate who fails to conduct themselves in the requisite professional

[Click here  
to return to contents page](#)

**Remember:** If in doubt,  
ASK First, ACT Later.

**Click here to  
Return to Contents page.**

manner and in accordance with this Manual may be subject to disciplinary proceedings. The deletion of business specific e-mails is subject to the Willis policy on document retention and e-mails should only be deleted once this policy has been complied with.

**7. Use of the Internet**

Use of the internet is restricted to use required for the sole reason of assisting an Associate to perform his required duties under his employment contract and for the conduct of business for Willis. Associates should refer to the Group Corporate Data Policy, corporate data policies and the personal code of conduct for more detail, or speak to their manager, Business Unit Compliance Officer or the Global IS Security Manager for further guidance.

**8. Websites**

Websites have become an important way for businesses to inform people of the services they provide. All Websites, current or proposed, should comply with the policies set out in this section on communication, and should have senior management sponsorship. All Websites must be approved by the EBusiness Center before "going live".

**9. Articles and Books**

No commitment to write an article or book, or part of a book for publication should be made by an Associate without the approval of the relevant line manager and the Group Communications Department.

Associates are advised to refer any written material to the Group Communications Department who will assist in editing or placing the article with a publication if not already arranged.

Associates should always try to retain copyright in any materials that they produce so that they can be re-produced and used within Willis or sent to clients.

**Remember:** If in doubt,  
Ask First, Act Later.

## E. Our Human Resource Policies

### 1. Group Diversity Advisory Council

All Willis has established the Group Diversity Advisory Council whose mission statement is to guide Willis toward a more culturally diverse workforce with opportunities that are unrestricted by perceived artificial or unfair barriers to participation and advancement. More details can be found on HR Online intranet site or from your usual HR contact.

### 2. Harassment free working environment

Willis is committed to a work environment in which all individuals are treated with respect and dignity. Each Associate has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits discriminatory practices, including harassment. Offensive or unwelcome conduct or behavior of a sexual nature is absolutely prohibited both on Willis premises and off premises when on Willis business, such as during business dinners or at Willis parties. Offenders of this policy will be subject to disciplinary action, which could include use of the strictest measures available under each country's laws.

### 3. Recruitment and Selection

It is Willis' mission to ensure that all Associate recruitment and selection practices shall serve to identify, hire and retain top talent without discrimination on the basis of race, religion, color, age, gender, national origin, disability status or any other legally impermissible factor. In support of this mission, Willis will try to:

- adhere to recruitment and selection practices, procedures and tools which are valid, practical, flexible and compliant with applicable laws, regulations and ethical standards;
- promote cultural diversity through, among other methods, the active and consistent use of traditional and non-traditional labor markets;
- make job opportunities available to Associates worldwide and facilitate and support internal career development and promotion;
- provide fair and equal treatment to all job candidates, with employee selection based on objective, job-relevant and legitimate position qualifications; and
- advocate efficient and effective recruitment and selection procedures that contribute to increased productivity and retention.

More details of our HR policies can be found on the HR intranet site or from your usual HR contact.

[Click here to return to the HR page](#)

**Remember:** if in doubt,  
Ask First, Act Later.

## F. Implementation and Help



Strict adherence to the provisions of this Manual is a condition of employment in Willis. Breaches of the policies in this Manual may result in disciplinary action being taken, as allowed by the relevant country's laws.

The Group Compliance Director, acting under the direction of the Group General Counsel, is responsible for initiating and supervising the investigation of all reports of breaches of any policy set out in this Manual and ensuring that appropriate disciplinary action is taken when required.

The Group Auditors, both internal and external, may be asked to report any practice they discover in the course of their work which is or appears to breach the policies contained in this Manual.

Breaches of any section of this Manual, or any reports of a breach or potential breach, will be reported to the Group General Counsel and, if appropriate, subsequently to the Willis Group Board Audit Committee.

Associates can obtain help in relation to these policies from the following sources:

- Their immediate management,
- Their business unit Compliance Officer,
- Group Compliance,
- Group HR,
- Group Internal Audit,
- Group Legal.

**APPENDIX D**  
**COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES**

**Exhibit 2 – Terms of Business Agreement**



Willis of \_\_\_\_\_, Inc.

\_\_\_\_\_

\_\_\_\_\_

[Insert address and telephone#]

### General Terms of Business for Commercial Accounts

Thank you for choosing Willis as your professional insurance broker. The purpose of this document is to describe our mutual understanding regarding our professional relationship and the services we will provide to you (except for services, if any, which we are providing under the terms of a separate written agreement executed by both you and Willis).

In this document "we", "us" and "our" refer to the Willis business entity named above. "Insurance" includes reinsurance, and "insurers" includes reinsurers.

#### Services and Responsibilities

We are committed to acting in your best interests at all times in providing services to you. In order to underscore our commitment to our clients, we have adopted a Client Bill of Rights and attached a copy to this document to better explain our commitment to you.

We will assist you in the preparation of insurance underwriting submissions from data gathered and will provide the submissions to you for your review and approval prior to sending them to insurance underwriters. We will meet with you prior to policy renewals to develop a negotiation strategy for meetings with insurance underwriters. The strategy will address risks to be covered, markets to be solicited, and insurance limits. We will conduct negotiations on your behalf with interested insurance underwriters. The negotiations will include establishing the details of policy forms, coverages, premiums, and terms and conditions. We will automatically provide you with copies of all insurer quotes we recommend that you consider. If you request in writing, we will also provide you a copy of all other quotes we receive from insurers.

The services we provide to you will rely in significant part on the facts, information and direction provided by you or your authorized representatives. In order to make our relationship work, we must each provide the other with accurate and timely facts, information and direction as is reasonably required. You must provide us with complete and accurate information regarding your loss experience, risk exposures, and changes in the analysis or scope of your risk exposures and any other information reasonably requested by us or insurers. It is important that you advise us of any changes in your business operations that may affect our Services or the insurance coverages we place for you. If you have any doubt about what information is material, please ask us inasmuch as failure to provide accurate and current information could adversely impact your insurance coverage.



We will assess the financial soundness of the insurers we recommend to provide your coverages based on publicly available information, including that produced by well-recognized rating agencies. Upon request, we will provide you with our factual analysis of such insurers. We cannot, however, guarantee or warrant the solvency of any insurer or any intermediary that we may use to place your coverage.

Before we bind the specific insurance coverage you desire to purchase we will disclose to you in writing:

(a) a summary of all quotes and indications we sought and received with certain pertinent information, or, if you prefer, a copy of all quotes and indications we sought and all quotes or indications we received in connection with that coverage;

(b) any interest we may have in, or contractual arrangements we may have with, any of the prospective insurers, and

(c) the amount or percentage rate of compensation which we, our parent companies, subsidiaries or affiliates, may receive in connection with the placement of the insurance coverage;

and we will obtain your written consent to the amount or rate of compensation we will receive before coverage is bound.

The final decisions with respect to underwriting submissions and all matters relating to your insurance coverages, risk management, and loss control needs and activities are yours. We will procure the insurance coverage chosen by you, prepare or forward insurance binders, and review and transmit policies to you.

We will review all binders, policies and endorsements delivered to us by insurers or intermediaries for the purpose of confirming their accuracy and conformity to negotiated specifications and your instructions and advise you of any errors in, or recommended changes to, such policies. You agree that you will also review all such documents and advise us of any questions you have or of any document or provision which you believe may not be in accordance with your instructions as soon as possible, and in no event longer than two weeks, after you receive them.

We will meet, as requested by you, with your representatives to explain coverage and policies. We will promptly respond to your requests for coverage information, analysis of changing market conditions, and assistance in developing procedures for handling loss exposures, and assist you in reporting subsequent changes in underwriting information to insurance companies.

We will inform you of the reporting requirements for claims, including where claims should be reported and the method of reporting to be used, if applicable. Please carefully review any claims-reporting instructions or information we provide you because failure to timely and properly report a claim may jeopardize coverage for the claim. In addition, you should retain copies of all insurance



policies and coverage documents as well as claims-reporting instructions after termination of the policies because in some cases you may need to report claims after termination of a policy.

Where your insurance risks are in more than one jurisdiction, we, where required, will liaise between you and insurers to seek to agree the apportionment of the premium between applicable jurisdictions, and the amount of insurance premium tax payable in each such jurisdiction in relation to the policy. In providing such services, Willis is acting in its capacity as an insurance broker and does not hold itself out to provide advice in relation to the tax laws of any applicable jurisdiction. We recommend you seek your own advice in relation to such tax laws where you consider it necessary. We will not be liable to you should the apportionment of premium or amount of tax payable under the policy be challenged by any tax authority. In addition, we will not be liable to you should the insurers fail, or refuse, to collect and pay such insurance premium tax to the relevant authorities.

#### **Confidentiality**

We will treat information you provide us in the course of our professional relationship as confidential and will use it only in performing services for you. We may share this information with third parties as may be required to provide services. We may also disclose this information to the extent required to comply with applicable laws or regulations or the order of any court or tribunal. Records you provide us will remain your property and will be returned to you upon request, although we will have the right to retain copies of such records to the extent required in the ordinary course of our business or by law. You will treat any information we provide to you, including data, recommendations, proposals, or reports, as confidential, and you will not disclose it to any third parties. You may disclose this information to the extent required to comply with applicable laws or regulations or the order of any court or tribunal. We retain the sole rights to all of our proprietary computer programs, systems, methods and procedures and to all files developed by us.

#### **Compensation and Conflicts of Interest**

Our compensation for the services we provide to you will be in the form of commissions paid to us by insurers. Commissions are earned for the entire policy period at the time we place policies for you. We will disclose to you the rate or amount of the commissions we will earn before you purchase the coverage.

In some cases the use of a wholesale broker may be beneficial to you. We will not directly or indirectly knowingly place or renew your insurance business through a wholesale broker unless we first disclose to you in writing:

- (a) any interest we have in, or any contractual agreements, we have with the wholesale broker; and
- (b) any alternatives to using the wholesale broker; and



(c) any compensation we or our corporate parents, subsidiaries or affiliates will receive as a result;

and obtain your consent to do so.

Other parties such as underwriting managers or managing general agents may also earn and retain usual and customary commissions for their roles in providing insurance products and services to you. If any such parties are corporate parents, subsidiaries or affiliates of ours, any compensation we or our corporate parents, subsidiaries or affiliates will receive will be included in the total compensation we disclose to you and for which we obtain your consent as provided for above in the section entitled "Services and Responsibilities".

You may choose to use a premium finance company, property appraiser, structured settlement firm or other similar service provider in connection with the insurance coverages we place for you or the services we provide to you. If you elect to use a service provider from which we or our corporate parents, subsidiaries or affiliates will receive any compensation directly or indirectly relating to the services you purchase from the provider, we will disclose additional information regarding that compensation to you before you make a final decision to use the service provider.

In the ordinary course of business we may also receive and retain interest on premiums you pay from the date we receive the funds until we pay them to the insurers or their intermediaries.

As an insurance intermediary, we normally act for you. However, we or our corporate parents, subsidiaries or affiliates may provide services to insurers for some insurance products. These services may include (a) acting as a managing general agent, program manager or in other similar capacities which give us binding authority enabling us to accept business on their behalf and immediately provide coverage for a risk; (b) arranging lineslips or similar facilities which enable an insurer to bind business for itself and other insurers; or (c) managing lineslips for insurers. Contracts with these insurers may grant us certain rights or create certain obligations regarding the marketing of insurance products provided by the insurers.

We may place your insurance business under such a managing general agent's agreement, binding authority, lineslip or similar facility when we reasonably consider that these match your insurance requirements/instructions. When we intend to do so, we shall inform you and disclose the contractual arrangements we have with the insurer in accordance with Subsection (b) of Section I of this Agreement, above.

We may also provide reinsurance brokerage services to insurers with which your coverage is placed pursuant to separate agreements with those insurers. We may be compensated by the insurers for these services in addition to any commissions we may receive for placement of your insurance coverages.



The insurance market is complex, and there could be other relationships which are not described in this document which might create conflicts of interest. Notwithstanding any possible conflict which might exist, we will act in your best interests at all times in providing services to you. If a conflict arises for which there is no practicable way of complying with this commitment, we will promptly inform you and withdraw from the engagement, unless you wish us to continue to provide the services and provide your written consent. Please let us know in writing if you have concerns or we will assume that you understand and consent to our providing our services pursuant to these terms.

#### Premium/Handling of Funds

You agree to provide immediately available funds for payment of premiums by the payment dates specified in the insurance policies, invoices or other payment documents. Failure to pay premium on time may prevent coverage from inception or result in cancellation of coverage by the insurer.

We will handle any premiums you pay through us and any funds which we receive from insurers or intermediaries for payment or return to you in accordance with the requirements and restrictions of applicable state and federal insurance laws and regulations and state unclaimed property laws. In some cases we may transfer your funds directly to insurers. In other cases we may be required to transfer your funds to third parties such as wholesale bankers, excess and surplus lines brokers, or managing general agents for carrying out transactions for you.

#### Termination

Either of us may terminate the agreement reflected in this document by giving the other thirty (30) days prior written notice, with such termination to be effective immediately upon the expiration of the thirty (30) day notice period. In the event of termination, we will be entitled to receive and retain any commissions payable under the terms of our commission agreements with the insurers in relation to policies placed by us, whether or not the commissions have been received by us.

Our obligation to render services under this agreement ceases on the effective date of termination of this agreement. Nevertheless, we will process all remaining deposit premium installments on policies in effect at the time of termination. Claims and premium or other adjustments may arise after our relationship ends. Such items are normally handled by the insurance broker serving you at the time the claim or adjustment arises. However, we may mutually agree that we will provide services in these areas after the termination of this agreement for mutually agreed additional compensation. The obligations set forth under "Confidentiality" above shall survive any termination of this agreement.

#### Other Provisions

This document contains all of the terms and conditions under which we have agreed to provide the services described above and supersedes any and all prior agreements between us except for



prior written agreements signed by both of us which are still in effect under their respective terms. (Services provided pursuant to such written agreements shall continue to be provided under the terms and conditions thereof for so long as the agreements are in effect.) We may amend the terms and conditions set out in this document by sending you a notice of the changes or a revised version of this document at least ten (10) days in advance of the effective date. Such amendments will apply only to service transactions entered into after the effective date of the amendment. Any other amendment must be agreed to by both of us in writing.

We agree that we may communicate with each other from time to time by electronic mail, sometimes attaching further electronic data as and when the circumstances require attachments. By consenting to this method of communication you and we accept the inherent risks (including the security risks of interception of or unauthorized access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). We each agree, however, that we will employ reasonable virus checking procedures on our computer systems, and we will each be responsible for checking all electronic communications received for viruses. You will also be responsible for checking that messages received are complete. In the event of a dispute neither of us will challenge the legal evidentiary standing of an electronic document, and the Willis system shall be deemed the definitive record of electronic communications and documentation.

Please note that our system blocks certain file extensions for security reasons, including, but not necessarily limited to, .rar, .text, .vbs, .mpeg, .mp3, .cmd, .cpl, .wav, .exe, .bat, .scr, .mpeg, .avi, .com, .pif, .wma, .mpa, .mpg, .jpeg. Emails with such files attached will not get through to us, and no message will be sent to tell you they have been blocked. If you intend to send us emails with attachments, please verify with us in advance that our system will accept the proposed form of attachment.

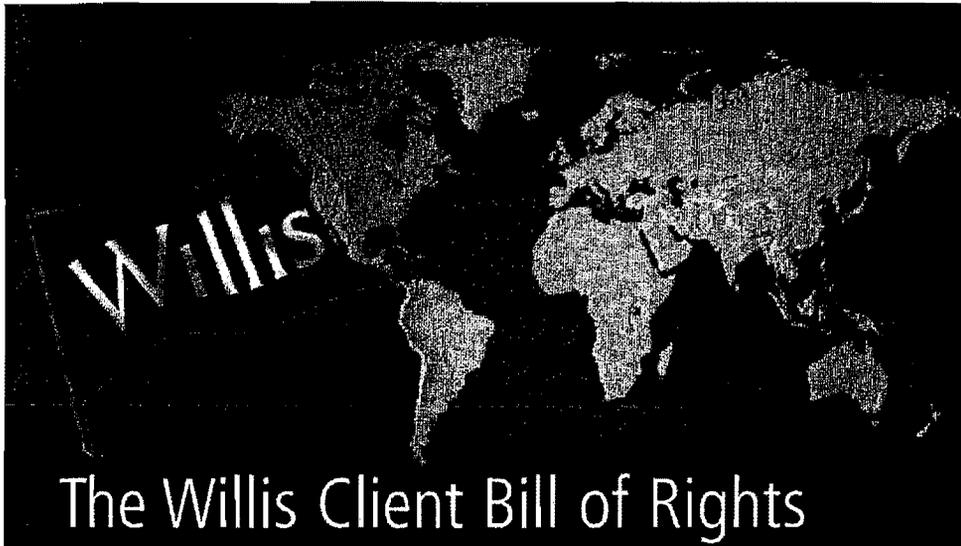
Our agreement for services shall be governed by and construed in accordance with the laws of the state in which our office is located.

**Inquiries and Complaints**

Your satisfaction is important to us. If you have questions or complaints, please inform the person who handles your account or contact the head of our office. Alternatively, you may call 1-866-704-5115, the toll free number we have set up exclusively for client feedback and complaints.

**APPENDIX D**  
**COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES**

**Exhibit 3 – Client Bill of Rights**



Our Client Bill of Rights is our commitment to upholding the highest standards of integrity in our industry and how we deliver the Willis Value Experience.

At Willis, our culture and our actions are guided by the following principles:

1. Willis represents the client's best interests through our client advocacy model. Willis' global resources and services are committed to understanding the client's company, its industry and its individual needs. Willis' customized recommendations and solutions will be driven by what is in the client's best interests. This is the centerpiece of the value Willis provides its clients.
2. At the commencement of every new engagement and at renewal thereafter Willis will describe the service and value it provides and how it is compensated for it – in plain and simple language as part of our Terms of Business Agreement and our Willis Client Service model.
3. Willis will listen before it acts. Its partnerships with clients will be typified by clear, complete and candid communication.
4. Clients will have a toll-free number to give Willis feedback on the quality of its services. Clients can comment, critique and suggest areas for improvement. Willis values client input.
5. Willis will require that the training its Associates receive includes enhanced emphasis on their duty of care and full disclosure to clients.
6. Willis Associates are prohibited from accepting any gifts, entertainment or trips from insurers that could create the appearance of a conflict of interest with its clients.
7. Willis will not accept contingency compensation from insurers.
8. Willis will conduct its business in accordance with its "best practices" guidelines, which are incorporated in our Willis Excellence Model.
9. Willis clients will receive the benefits of our global approach to service: our global resources delivered locally to help clients realize their highest risk management and business objectives regardless of geography.
10. Adherence to these principles will be enforced by a series of enhanced internal controls, including regular compliance reviews, audits and review by the Audit Committee of the Willis Board of Directors.

Willis

**APPENDIX D**  
**COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES**

**Exhibit 4 – Gift Policy**

## **Willis Policy and Guidelines On the Acceptance or Provision of Gifts and Entertainment**

### **I. Policy Statement**

Our policy on the giving and receiving of business gifts and entertainment has always been and continues to be to act reasonably, to respect the different business customs and practices faced by Willis around the world, and, above all, to avoid even the appearance of a conflict of interest or a commercial obligation.

However, the increasingly regulated environment in which we operate and the greater need to differentiate between insurers and reinsurers as clients and as markets require more consistent policy guidance to be applied on business gifts and entertainment.

Willis is therefore reinforcing its existing policy with additional guidelines that are set forth below.

### **II. Acceptance of Gifts, Entertainment and other Items of Material Value**

#### **A. Gifts**

Under our Policy no Willis Associate shall:

1. Accept cash or cash equivalents, such as bonuses, gift certificates redeemable for merchandise or the payment of credit card charges or the like regardless of the amount from clients, insurers, reinsurers or other suppliers (existing or prospective)

2. Accept or request anything of material value from an insurer, reinsurer, other supplier or client (existing or prospective) including, but not limited to credits, loans, forgiveness of principal or interest, vacations, prizes, gifts, or the payment of employee salaries or expenses. Material value shall mean gifts received from a client, insurer, reinsurer or other supplier (existing or prospective) during a calendar year that have a value, in total, of more than **\$100 or the equivalent value in other currencies.**

#### **B. Meals and Entertainment**

1. Meals or tickets to sporting, theater or other recreational events attended by a representative of the insurer, reinsurer, other supplier or client (existing or prospective)

may be accepted only if the event is attended for the purpose of discussing general or specific business matters and provided that the event:

- a. is reasonable in amount and consistent with good business practice;
- b. is permitted by applicable law;
- c. could not be considered a business inducement;
- d. would not embarrass or otherwise harm the reputation of Willis if publicly disclosed;
- e. would not be perceived as extravagant or overly generous; and
- f. is not of a recurring frequency so as to suggest an improper motive;

C. Attendance at business conferences, presentations and recreational events hosted by a client, insurer, reinsurer, or other supplier (existing or prospective) are subject to the following:

1. all of the criteria in II.B. above must be met;

2. prior approval by the head of the business unit or office; and

3. transportation to and from the event and lodging at the event shall be paid by Willis in accordance with the Willis Expense Management Policy with the exception that if the client, insurer, reinsurer, or other supplier has arranged a form of transportation available to all participants for limited transportation, such as a bus or shuttle used to transport participants to or from the airport or from one event location to another, such transportation may be used.

4. If the event is held at a facility owned by the prospective or existing client, insurer, reinsurer, or other supplier (the "host"), and if the host does not charge or cannot charge anyone who attends the function, the Willis Associate may attend the event, but must pay for lodging for the event.

5. At such events, Willis Associates may accept gifts or tokens such as shirts, calendars, golf balls, or key chains so long as such gifts or tokens satisfy the requirements set forth in II.A.2 above.

D. Travel and Lodging

1. Willis Associates may not accept airline, cruise ship, or other travel tickets or vouchers, regardless of whether the destination relates to a business purpose. Transportation expenses related to a business meeting with the client, insurer, reinsurer, or other supplier (existing or prospective) will be paid for by Willis in accordance with the Willis Expense Management Policy. Associates may, however, travel on aircraft owned or leased by a client, insurer, reinsurer or other supplier (existing or prospective) solely for the purpose of traveling to a

business meeting; provided that for an insurer or reinsurer owned aircraft, all such transportation shall be paid for by Willis in accordance with the Willis Expense Management Policy.

2. Willis Associates may not accept lodging or other hotel accommodations, ship's cabin, or other destination housing, regardless of whether the lodging relates to a business purpose. Lodging expenses related to a business meeting with a client, insurer, reinsurer or other supplier (existing or prospective) will be paid for by Willis in accordance with the Willis Expense Management Policy.

### III. Provision of Gifts, Entertainment and other Items of Material Value

#### A. Gifts

Under our Policy no Willis Associate shall:

1. give gifts of cash or cash equivalents, such as bonuses, gift certificates redeemable for merchandise or the payment of credit card charges or the like or regardless of cost or value to a client, insurer, reinsurer, or other supplier (existing or prospective);

2. give anything of material value including but not limited to credits, loans, forgiveness of principal or interest, vacations, prizes, gifts, or the payment of employee salaries or expenses to an insurer, reinsurer or other supplier (existing or prospective). Material value shall mean gifts to an insurer, reinsurer, or other supplier (existing or prospective) during a calendar year that have a value, in total, of more than \$100 or the equivalent value in other currencies; or

3. offer or agree to provide any benefit to a government or quasi-government body or any organization owned by a government or quasi-government body or any employee of such organization with the agreement or understanding that the vote, opinion, judgment, action, decision or exercise of discretion of that organization or individual in its dealings with Willis will be influenced.

#### B. Meals and Entertainment

1. Meals or tickets to sporting, theater or other recreational events attended by a Willis Associate and the client, insurer, reinsurer or other supplier (existing or prospective) may be provided to the client, insurer, reinsurer or other supplier (existing or prospective) only if the event is attended for the purpose of discussing general or specific business matters and provided that the event:

- a. is reasonable in amount and consistent with good business practice;
- b. is permitted by local law;
- c. could not be considered a business inducement;
- d. would not embarrass or otherwise harm the reputation of Willis if publicly disclosed;
- e. would not be perceived as extravagant or overly generous;
- f. is not of a recurring frequency so as to suggest an improper motive; and
- g. is not contrary to any travel and entertainment or accounting policy.

C. Clients, insurers, reinsurers or other suppliers (existing or prospective) may be invited to business conferences, presentations or recreational events hosted by Willis subject to the following:

- 1. all of the criteria in III.B. above must be met;
- 2. compliance with the Willis Expense Management Policy; and
- 3. transportation to and from the event and lodging at the event shall be paid by the client, insurer, reinsurer or other supplier (existing or prospective) except for lodging and transportation for clients that are members of the client advisory council attending meetings of the council, which may be paid for in accordance with the Willis Expense Management Policy.
- 4. At such events, gifts or tokens such as shirts, calendars, golf balls, or key chains may be given to the event participants so long as such gifts or tokens bear the Willis logo and satisfy the requirements set forth in III A.2 above.

All of the foregoing is also subject to compliance with the client's, insurer's, reinsurer's or other supplier's (existing or prospective) applicable policies and applicable law.

**IV. Monitoring and Reporting Requirements**

- 1. Associates who receive or give gifts, meals or entertainment must keep a record of such gift, meal or entertainment which will be subject to examination.
- 2. Associates will be required to certify annually their compliance with the Gifts and Entertainment policy and guidelines.
- 3. Group Compliance may be contacted to obtain further guidance on this policy and guidelines.

March 2020

**APPENDIX E**  
**COMPLIANCE PROCEDURES – ANNUAL DISCLOSURE**

**Exhibit 1 – Willis Annual Disclosure Letter**



Client Name  
Title  
Company Name  
Address One  
Address Two  
City, State Zip

Statement reflects revenue earned  
January 1, 2005 through December 31, 2005

Client Advocate Name:

**Your Annual Account Statement**

This statement is for informational purposes only and reflects revenue earned by the Willis Group of Companies from any carrier or third party in connection with placing, renewing, consulting on or servicing the policies identified below.

Please be advised this statement reflects revenue earned during the stated accounting period and may include revenue earned by Willis in respect of policies that incepted in a previous year.

If you have any questions or concerns about your Willis statement, please contact your Client Advocate identified above. If you would like to register a complaint you may call us toll-free at our Client Assistance hotline 1 866 704 5115.

We appreciate your business and look forward to providing you with continued quality service in the coming year. Thank you!

Policy Number	Line of Business	Policy Period	Total Revenue in US \$



Client Name  
Address One  
Address Two  
Address Three  
City, State Zip

Statement reflects revenue received  
January 1, 2005 through December 31, 2005

**Your Annual Account Statement**  
For Carrier Direct Billed Policies Only

This statement is for informational purposes only and reflects revenue received by the Willis Group of Companies from any carrier or third party in connection with placing, renewing, consulting on or servicing the policies identified below.

Please be advised this statement reflects revenue received during the stated accounting period and may include revenue received by Willis in respect of policies that inception in a previous year.

If you have any questions or concerns about your Willis statement, please contact your Client Advocate or Willis of XXX 1 888 888 8888. If you would like to register a complaint you may call us toll-free at our Client Assistance hotline 1 866 704 5115.

We appreciate your business and look forward to providing you with continued quality service in the coming year. Thank you!

<u>Policy Number</u>	<u>Line of Business</u>	<u>Total Revenue in US \$</u>
ABC1234	Auto	123.45
1234XYZ	UK	324.12
UK	Property	503.02

DIRECT BILL SAMPLE  
Tracking number

page x of x / date

**APPENDIX E**  
**COMPLIANCE PROCEDURES – ANNUAL DISCLOSURE**

**Exhibit 2 – Willis Consent Form**

EXHIBIT A

US Compensation Consent Form

**Fee Agreement clients** – If the compensation for the placement is a fee or is a combination of a fee and a commission, then only the fee agreement must be executed prior to binding coverage and should contain the agreed upon fee and commission. **IF THE FEE AGREEMENT HAS NOT BEEN EXECUTED PRIOR TO BINDING THEN** the document below must be used and executed prior to binding, but this does not relieve you of the obligation to obtain a signed fee agreement for the placement. Note: Some states require that the fee agreement must be executed prior to providing any services under that agreement. In those states you must comply with this requirement, These states are identified on the 411 database.

**Commission only** – Please complete the document below.

**Services** – If the engagement is for services that are to be provided in connection with the placement of a policy, the compensation for the services should be addressed with the compensation for the placement as described above. If only services are being provided and no policy is being placed, this client consent document is not required, rather an agreement should be entered into with the client before the services commence.

**Note 1:** Gross commissions must be disclosed, not net. A dollar amount may be substituted for \_\_\_ % of the premium in the form below.

**Note 2:** The actual fee and commission should be compared to the agreed upon amounts and if the actual amounts exceed the agreed upon amounts, the client must agree in writing that we may receive the excess or we may not accept it.

**Note 3:** These disclosure requirements also apply for (i) fronting arrangements, e.g. where the insurer that issues the policy to the insured is retaining no risk on the insurance, but passing it through in its entirety to another insurer and for (ii) retail client-owned captives or insurance companies that obtain facultative reinsurance on any portion of the risk. Please contact Group Compliance or the Legal Department to agree appropriate wording.

**Note 4:** The compensation disclosure must include the total commissions or compensation to be received by Willis affiliates.

EXHIBIT A

Your Willis Client Bill of Rights includes a promise that we will disclose to you all compensation received by Willis in connection with your insurance placement. We are also required by law to obtain your written agreement to our compensation prior to binding the coverage. In connection with the placement of your [insert type of coverage, for example, property coverage] for the policy period [\_\_\_\_\_ to \_\_\_\_\_] you agree that we may receive compensation which will consist of:

*Select Option A, B, or C. For commissions, either a dollar amount or % of premium number may be used, deleting the bracketed language that is not used.*

*Option A (Fee only):*

a fee of \$ \_\_\_\_\_ as will be set forth in a written fee agreement.

*Option B (Commission only):*

a commission of [\$ \_\_\_\_\_] [% \_\_\_\_\_] from \_\_\_\_\_. [insert carrier or wholesaler name, and repeat sentence for all carriers and/or wholesalers on placement]

*Option C (Fee and Commission if permitted by law):*

a fee of \$ \_\_\_\_\_ as will be set forth in a written fee agreement and

a commission of [\$ \_\_\_\_\_] [% \_\_\_\_\_] from \_\_\_\_\_. [insert carrier or wholesaler name, and repeat sentence for all carriers and/or wholesalers on placement]

This will be the entire compensation the Willis group of companies will receive for the placement services described above. This includes any compensation the Willis group of companies will receive from you, any insurer, any wholesaler, or any other party for the placement services.

EXHIBIT A

Please also refer to the *[insert either Terms of Business Agreement or your fee agreement whichever is applicable to the client]* for a description of services we may provide to carriers for compensation and any potential conflicts of interest.

Facultative reinsurance placed at the request of one of the insurer's on your placement, if any, is not part of the above placement, it is a separate contract between the insurer and its reinsurer and, accordingly, is not included in the compensation numbers above.

If you agree that Willis may receive the fee and/or commission set forth above, please have your authorized representative sign below.

*[insert name of company]*

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

EXHIBIT A

**EXAMPLE:**

Your Willis Client Bill of Rights includes a promise that we will disclose to you all compensation received by Willis in connection with your insurance placement. We are also required by law to obtain your written agreement to our compensation prior to binding the coverage. In connection with the placement of your property coverage for the policy period June 15, 2005 to June 15, 2006, you agree that we may receive compensation which will consist of:

- a fee of \$200,000 as will be set forth in a written fee agreement and
- a commission of 10% from Liberty Mutual.

This will be the entire compensation the Willis group of companies will receive for the placement services described above. This includes any compensation the Willis group of companies will receive from you, any insurer, any wholesaler, or any other party for the placement services.

Please also refer to your fee agreement for a description of services we may provide to carriers for compensation and any potential conflicts of interest.

Facultative reinsurance placed at the request of an insurer on your placement, if any, is not part of the above placement. It is a separate contract between the insurer and its reinsurer and, accordingly, is not included in the compensation numbers above.

If you agree that Willis may receive the fee and/or commission set forth above, please have your authorized representative sign below.

ABC Company

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

2/3/06 ed.

**APPENDIX E**  
**COMPLIANCE PROCEDURES – ANNUAL DISCLOSURE**

**Exhibit 3 – Letter from NYSID Regarding Opt-In Notice Process**



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

David A. Paterson  
Governor

Eric R. Dinallo  
Superintendent

November 18, 2008

Terry L. Burston  
Deputy Group Compliance Director  
Willis North America Inc.  
One World Financial Center  
200 Liberty Street  
New York, New York

Dear Terry:

I write in response to your letter dated October 17, 2008, which seeks relief for Willis Group Holdings Ltd., Willis North America Inc., and Willis of New York, Inc. ("Willis") from the requirement, as established in Paragraph 14 of the Assurance of Discontinuance ("AOD") into which Willis entered with the Attorney General of the State of New York ("Attorney General") and the Superintendent of Insurance of the State of New York ("Superintendent") in April 2005, that Willis provide an annual disclosure report to its clients regarding compensation that Willis receives from insurers.

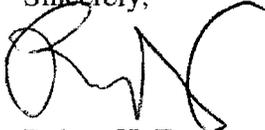
Amendment No. 3 to the AOD provides that the Attorney General and the Superintendent may modify or limit the annual client disclosure requirements in order to reduce any unreasonable administrative burden on Willis. In accordance with Amendment 3, the Attorney General and the Superintendent hereby modify the annual client disclosure requirement as set forth below.

Commencing with compensation received in calendar year 2007, Willis no longer will be required to send an annual compensation disclosure report to each of its clients as provided in Paragraph 14 of the AOD. Instead, Willis shall send each client a written communication advising that henceforth the annual compensation disclosure report will be sent to each client only upon client request. The communication shall include an "opt-in" form that the client may return to Willis if the client wishes to receive the annual compensation disclosure report. The communication also shall include a toll-free telephone number that clients may call with any questions about annual compensation disclosure. Further, Willis shall include information regarding the availability of annual compensation disclosure on its website. And, each year thereafter, Willis shall send to each

Terry L. Burston  
November 18, 2008  
Page Two

client a written notice similarly advising that the annual compensation disclosure is available upon request.

The Attorney General and the Superintendent will carefully monitor Willis's implementation of the above procedures, and fully expect Willis to make every effort to ensure full compliance with both the letter and spirit of the AOD as modified, with regard to annual client disclosure.

Sincerely,  


Robert H. Easton  
Deputy Superintendent and General Counsel

cc: Michael Berlin, Esq.  
Office of the Attorney General of the State of New York



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

David A. Paterson  
Governor

Eric R. Dinallo  
Superintendent

December 22, 2008

Terry L. Burston  
Deputy Group Compliance Director  
Willis North America Inc.  
One World Financial Center  
200 Liberty Street  
New York, NY 10281

Dear Terry:

I write to confirm the Insurance Department's understanding, based upon recent conversations between Willis and the Department, of how Willis intends to implement certain provisions of the April 7, 2005 Assurance of Discontinuance between Willis and the New York Attorney General, as amended (the "AOD"), commencing January 1, 2009.

Concerning client consent to compensation, paragraph 7 of the AOD provides, in relevant part, that: "Willis shall accept no such commissions unless, before the binding of any such policy: (a) Willis in plain, unambiguous written language fully discloses such commissions, in either dollars or percentage amounts; and (b) the U.S. client consents in writing." You have indicated that commencing January 1, 2009, Willis will provide to its clients written quote proposals that will also disclose Willis's compensation of either a specific fee or commission percentage for each proposal. A client's written order to bind a specific coverage will serve as the client's consent to the disclosed compensation. In the event time constraints or other unusual circumstances prevent Willis from providing a written disclosure and/or obtaining a written order to bind, Willis will follow up with a written communication to the client as soon as possible, confirming the client's order to bind and Willis's compensation, and will request that the client provide written consent to such compensation. In such circumstances, and only in the event that a client fails to confirm in writing despite several requests by Willis that the client do so, may the client's payment of the premium be construed as the required consent to Willis's compensation.

In connection with the annual client compensation disclosure pursuant to paragraph 14(c) of the AOD, as modified by Amendment 3 to the AOD and Robert Easton's November 18, 2008 letter,

the annual report of compensation received in calendar year 2007 and thereafter is only required to be sent to clients who request it. You have indicated that the "opt-in" communication to clients, and the dissemination of reports to those clients who request it, will be completed by March 31, 2009 with regard to compensation received by Willis in 2008 and any prior periods for which annual compensation disclosure has not yet been issued.

Very truly yours,

A handwritten signature in black ink, appearing to read 'ERB', with a long horizontal flourish extending to the right.

Ellen R. Buxbaum  
Associate Counsel – Special Investigations

ERB/

cc: R. Easton  
J. Rothblatt

**APPENDIX E**  
**COMPLIANCE PROCEDURES – ANNUAL DISCLOSURE**

**Exhibit 4 –Opt-In Notice**



[DATE]

[CLIENT NAME]

[Attention: Risk Manager]

[ADDRESS]

[CITY, STATE ZIP]

**RE: Annual Statement Opt-In Notification**

[Account Code]

The Willis Group of Companies, at your election, will provide you a statement detailing commissions received or earned by the Willis Group of Companies from any carrier or third party in connection with placing, renewing, consulting on or servicing the insurance policies, certificates, or bonds placed on your behalf.

This statement is for informational purposes only and will reflect commissions received or earned by the Willis Group of Companies during the accounting period January 1, 2008 – December 31, 2008, and may include commissions on policies, certificates, or bonds that inceptioned in a previous year. Nothing in this notification or the statement, if you elect to receive one, affects your insurance or bond coverage in any way.

You may request an annual statement by email or in writing by returning the attached form. Please submit your request within thirty (30) days of receipt of this Opt-In Notification.

**Email**

Please include in your email request the name, address, and account code as listed above and a telephone number where we may contact you if necessary. Please email your request to [ClientStatements@Willis.Com](mailto:ClientStatements@Willis.Com)

**Writing**

Please complete and return the attached form to the address below:

Client Statement Team  
Willis  
26 Century Blvd.  
Nashville, Tennessee 37214

If you have any questions or concerns about this Opt-In notification or the statement detailing the commissions received or earned by the Willis Group of Companies, please contact the Client Statement Team at 1-866-345-4096.

We appreciate your business and look forward to working with you in the future.

**Annual Statement Opt-In Notification Form**

**To:**  
Client Statement Team  
Willis  
26 Century Blvd.  
Nashville, Tennessee 37214

**From:**  
[CLIENT NAME]  
[Attention: Risk Manager]  
[ADDRESS]  
[CITY, STATE ZIP]

[Account Code]

I (We) hereby elect to receive the annual statement detailing the commissions received or earned by the Willis Group of Companies from any carrier or third party in connection with the placing, renewing, consulting on or servicing the insurance policies, certificates, or bonds placed on my (our) behalf.

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Telephone Number \_\_\_\_\_

Date \_\_\_\_\_

**APPENDIX F**  
**COMPLIANCE PROCEDURES – COMPLIANCE MONITORING**

**Exhibit 1 – Control Risk Self Assessment**

Quarterly Key Controls Reporting

12 (continued from page 1)

Form

Business Unit / Office

Quarter ended 04/2008

Group policies and procedures	YES	NO	Key Controls	Comments
1. During the quarter ended 31st December 2008, I confirm the following: Group policies and procedures				
1. All management and staff have received training during the quarter on the relevant policy				
2. All employees under contract for the quarter have been advised in writing of the relevant policy and details of the consequences of non-compliance with the policy				
3. All employees under contract for the quarter have been advised in writing of the relevant policy and details of the consequences of non-compliance with the policy				
4. The Group's policies and procedures are reviewed and approved by the relevant authority				
5. The Group's policies and procedures are reviewed and approved by the relevant authority				
6. All employees have received training during the quarter on the relevant policy				
7. All employees under contract for the quarter have been advised in writing of the relevant policy and details of the consequences of non-compliance with the policy				
8. The Group's policies and procedures are reviewed and approved by the relevant authority				
9. The Group's policies and procedures are reviewed and approved by the relevant authority				

Quarterly Key Controls Reporting

To: [Name of Key Controller]

From:

CC:

Business Unit / Office:

Quarter ended: 04/2016

During the quarter ended 31st December 2016, I confirm the following:		YES	NO	NA (where applicable)	Comments
10	Other than as noted above, I am not aware of any failure of controls to comply with the up-to-date policies and procedures if you are aware of any failure, please provide details.				
<b>Personnel</b>					
11	All assignments received are reasonably having to ensure their role				
12	All new hires going to the office have been properly onboarded with the appropriate IT, legal, HR and compliance controls, policies and procedures				
13	All new hires have been advised of their reporting structure. Pay records are reviewed at the end of each month and the Group Compensation Review				
<b> safeguarding of assets and data</b>					
14	Appropriate controls exist to ensure the protection of physical assets (e.g. fire, theft, flood, etc)				
15	Appropriate controls exist to ensure the confidentiality of data (e.g. physical security measures, IT security)				
16	Appropriate business continuity plans exist for the office and are up to date (e.g. IT, HR, Finance, etc)				

Quarterly Key Controls Report

To: Internal group member

From:

LC

Business Unit / Office  
 Quarterly Report 1/4/2008

705	706	707	708	709
<b>During the quarter ended 31st December 2008, I confirm the following:</b>				
11	Organisation Structure			
12	Managers are informed of all relevant risks for the period, including any changes to the risk profile.			
13	There have been no significant changes to the organisation's risk profile for the period, based on a range of the controls.			
14	All risks are being actively managed and the risk profile is being actively managed.			
15	All risks are being actively managed and the risk profile is being actively managed.			
16	All risks are being actively managed and the risk profile is being actively managed.			
17	All risks are being actively managed and the risk profile is being actively managed.			
18	All risks are being actively managed and the risk profile is being actively managed.			
19	All risks are being actively managed and the risk profile is being actively managed.			
20	All risks are being actively managed and the risk profile is being actively managed.			
21	All risks are being actively managed and the risk profile is being actively managed.			
22	All risks are being actively managed and the risk profile is being actively managed.			

**APPENDIX F**  
**COMPLIANCE PROCEDURES – COMPLIANCE MONITORING**

**Exhibit 2 – Self-Assessment File Review Checklist**

**Self Assessment File Review**

Client: Direct Wholesale Reinsurance	Client status: <input checked="" type="checkbox"/> Renewal or <input type="checkbox"/> New placement
Policy Ref	Cover placed and status
Date client consent to commission received	Rate markets confirmed on risk
Date firm order given	Date cover confirmed to client
Account status: Fee / Commission / Fee and Commission	
<b>Subject Matter</b>	
1.1 Was the strategy meeting adequately documented including: - choice of markets used, - reason for only approaching one market where applicable? 1.2 Was there evidence that the client had discussed changes to the Marketing Protocols with us and, if so, does the file evidence that we followed client's instructions	Yes No NA Comments / Explanations
2 Did the file contain evidence that the appropriate documents (e.g. TOBA or Service Fee Agreement, Client Bill of Rights, Prior notification to Client regarding Written Consent and Marketing Protocol) had been sent or completed before inception as part of Client Engagement Guide	
3 Was there evidence that the client's demands and needs were identified and supporting documentation was filed or cross-referenced to another relevant file (electronic or otherwise)	
4.1 Did the documentation presented to markets reflect the Client's demands and needs?	
4.2 Did the submission cover letter include all of the requested information?	
5 If a carrier policy form was not used, did the documentation presented to markets include a copy of the proposed wording for the contract?	
6 Did the file evidence adherence to Market Security requirements? (refer to items 2.1-2.3 of the Core Pricing File Checklist)	
7 Did the quote process follow the WEM quote proposal template and adhere to WEM principles including all applicable disclosures specifically: - terms offered by the market(s); - differences between coverage offers; and client's original demands and needs; - subjectivities warranties and/or exclusions and were these drawn to the client's attention; - policy wording and/or form to govern the insurance contract; - premium and applicable taxes; - were all quote and indications sent to the client in full or a summary; - if a summary of quotes was sent, were all the relevant quotes sent in full, wholesaler disclosure information, where applicable, and compensation to be earned i.e. disclosed either in dollars or percentage of premium	

**Self Assessment File Review**

	Subject Matter	Yes	No	N/A	Comments (Explanations)
8	Was there evidence (signature/recognized initials and date) that the quote proposal was subject to an authorized "second pair of eyes" review prior to sending?				
9	If original quote not accepted does the file evidence how quote changes were approved by the market(s) and client?				
10	Was firm order evidenced in - writing from the client, or - where received verbally from client in writing back to client within 24-hours				
11.1	Was the client's written consent to our compensation received prior to binding and evidenced on file in the required form?				
11.2	If the client's written consent was not obtained was the escalation process defined in the US Client Consent Policy followed and evidenced?				
12.1	Was the policy working and/or form for the insurance contract settled prior to inception?				
12.2	If policy working was not settled before inception was Team Leader or Regional/Managing (or designated alternate) advised and was there evidence that client had been kept informed?				
13.1	Was cover confirmation consistent with the client approved quote?				
13.2	If cover confirmation not consistent with client approved quote, does the file evidence actions taken and recorded client approval, where required?				
13.3	Was the cover confirmation sent to the client prior to inception?				
13.4	Did the cover confirmation follow the WEM cover template confirmation principles?				
14	Was there evidence on file that coverage had been bound by the carrier prior to inception?				
15	Was there evidence that all subjectivities required by market(s) had been explained to the client and dealt within the stated time limits?				
16	Was there evidence (signature/recognized initials and date) that the cover confirmation or evidence of cover (i.e. where a binder is used), was subject to an authorized "second pair of eyes" review and approved prior to sending?				
17.1	Was the placing file checklist completed?				
17.2	Was there anything on the placing file checklist which was not in the file?				
18	If policy has not been received were binders extended as appropriate?				
19	Is there a complete copy of the policy in the file?				
20	Is the policy date stamped upon receipt by Willis?				
21.1	If the policy is a surplus lines policy and state requires special stamping does the first page of the policy have the required surplus lines stamp?				
21.2	If necessary, was surplus lines tax filing completed and billed?				

**Self Assessment File Review**

	Subject Matter	Yes	No	N/A	Comments / Exemptions
22	If there were any discrepancies between policy and final proposal (what was agreed at binding), have these changes been agreed with the client?				
23	Was each policy delivered to client - within 30 days of receipt? - using WEM policy transmittal letter				
24	Did you identify any e-mails or documents in the file which would give rise to a third party thinking that "bid-rigging" or "steering" had occurred?				
25	Is the file free for evidence of acceptance of or request for contingent commission?				
26	Did you evidence that the client had received details of the compensation received by Willis in the preceding year?				

General assessment (to be completed following review of results with Associate responsible for the file)

Date of Review: \_\_\_\_\_

Reviewer Signature: \_\_\_\_\_

**APPENDIX G**  
**Report of Examiner dated March 28, 2008 –**  
**Results from Examination**  
**June 6, 2005 through June 6, 2007**

**REPORT OF EXAMINER**

**TO**

**NEW YORK STATE INSURANCE DEPARTMENT**

**COMPLIANCE EXAMINATION OF  
WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC.**

**RESPECTING**

**ASSURANCE OF DISCONTINUANCE PURSUANT TO EXECUTIVE LAW §63(15) BETWEEN THE  
ATTORNEY GENERAL OF THE STATE OF NEW YORK AND WILLIS GROUP HOLDINGS LTD., WILLIS  
NORTH AMERICA INC., AND WILLIS OF NEW YORK, INC. DATED APRIL 7, 2005**

**AND**

**STIPULATION BETWEEN THE SUPERINTENDENT OF INSURANCE OF THE STATE OF NEW YORK,  
AND WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA INC., AND WILLIS OF NEW YORK,  
INC. DATED APRIL 7, 2005**

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**MARCH 28, 2008**

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**APPENDIX B:** Stipulation

**APPENDIX C:** Amendments to the Assurance of Discontinuance and Stipulation

**APPENDIX D:** Settlement Fund Distribution Related Documentation

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Exhibit 2 – Eligibility Letter Sent to Clients

Exhibit 3 – Rust Consulting Process & Procedures

**APPENDIX E:** Compliance Procedures – Transactional Policies and Procedures

Exhibit 1 – Global Policy Manual

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Exhibit 3 – Client Bill of Rights

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**APPENDIX F:** Compliance Procedures – Annual Disclosure

Exhibit 1 – Willis Annual Disclosure Letter

Exhibit 2 – Willis Consent Form

**APPENDIX G:** Compliance Procedures – Compliance Monitoring

Exhibit 1 – Control Risk Self Assessment

Exhibit 2 – Self Assessment File Review Checklist

## REFERENCES

	<b>Assurance of Discontinuance</b>	<b>Report of Compliance</b>
Establish \$50 million Settlement Fund.	Paragraph 1	Pages 7- 8
Calculate amount for each eligible policyholder.	Paragraph 2	Pages 7- 8
File report with Attorney General & Superintendent with detailed information per eligible policyholder.	Paragraph 2	Page 6
Send approved notice with detailed information to eligible policyholders.	Paragraph 2	Page 8
Eligible policyholders must request distribution.	Paragraph 3	Page 8
Eligible policyholders must sign release form.	Paragraph 3	Page 8
Pay participating policyholders share of Settlement Fund.	Paragraph 6	Page 8
Non-participating policyholders' share of Settlement Fund can be used to satisfy any claims relating to matters covered in Agreement.	Paragraph 3	Page 8
Distribution should not be made from the Settlement Fund to any other policyholder until all participating policyholders have been paid initial amount due.	Paragraph 3	Page 8
Total payments from the Settlement Fund to any non-participating policyholder should not exceed 80% of their original allocated share.	Paragraph 3	Page 8
Settlement Fund remaining at April 1, 2006 can be distributed as outlined in the AOD.	Paragraph 5	Page 8
Settlement Fund cannot be used to pay attorney fees.	Paragraph 4	Page 8
File a report listing all amounts paid from the Settlement Fund.	Paragraph 5	Page 6
Business Reform: Permissible Forms of Compensation	Paragraphs 7-8	Page 10
Business Reform: Prohibition of Contingent Compensation	Paragraph 9	Page 11
Business Reform: Prohibition of "Pay-to-Play" Arrangements	Paragraph 10	Page 11
Business Reform: Prohibition of "Bid-Rigging" Arrangements	Paragraph 11	Page 11
Business Reform: Prohibition of Reinsurance Brokerage Leveraging	Paragraph 12	Page 11
Business Reform: Prohibition of Inappropriate Use of Wholesalers	Paragraph 13	Page 11
Business Reform: Mandated Disclosures to Clients	Paragraph 14	Pages 10 & 15-16
Business Reform: Standards of Conduct and Training	Paragraphs 15	Pages 11 & 13
Business Reform: Prohibition Against Violating New York Law	Paragraph 17	Page 11
Business Reform: Limitation on Extraterritorial Effect	Paragraph 21	Page 11

	<b>Assurance of Discontinuance</b>	<b>Report of Compliance</b>
Establish a Compliance Committee of the Board of Directors.	Paragraph 22	Page 19 & 23
Report of Complaints to Compliance Committee quarterly and annually to the Superintendent.	Paragraph 20	Pages 17 & 18
Maintain a record of all client compensation complaints.	Paragraph 19	Pages 17 & 18

## I. OVERVIEW

The New York State Insurance Department (“the Insurance Department” or “NYSID”) retained the services of RSM McGladrey, Inc. (“RSM McGladrey”) to conduct a review of activities regarding producer compensation practices of Willis Group Holdings Ltd, Willis North America Inc., and Willis of New York, Inc. (collectively, “Willis” or “the Company”). RSM McGladrey was engaged to monitor and test Willis’ compliance with the Assurance of Discontinuance between the Attorney General of the State of New York (“NYAG”) and Willis, dated April 7, 2005, as amended (“AOD”) and the Stipulation with NYSID, dated April 8, 2005 (the “Stipulation”). Copies of the AOD and Stipulation are annexed to this Report at Appendix A and B. Both the AOD and Stipulation contain identical provisions regarding the business reforms that are the subject of this examination. For ease of reference, both the AOD and Stipulation will be referred to collectively as the AOD.

### A. Assurance of Discontinuance

#### 1. Investigation by the New York Attorney General and Superintendent of Insurance

The Attorney General and the Superintendent alleged that Willis “unlawfully deceived its clients by (a) steering client’s insurance business to favored insurance companies, (b) unnecessarily running business through its wholly owned wholesaler, Stewart Smith, and (c) leveraging its retail brokerage business in order to obtain reinsurance brokerage business.” AOD par. 23.

#### 2. Terms of the Assurance of Discontinuance

One of the key provisions of the AOD is the funding of an account for \$50 million (“Settlement Fund”) for distribution to certain identified policyholders who retained Willis to “place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides.” Procedures for appropriately distributing the funds as well as restrictions on payments to nonparticipating policyholders or for attorney fees were defined in detail in the AOD.

Additionally, the AOD outlined the following business reforms: a) permissible forms of compensation, b) prohibition of contingent compensation, c) prohibition of “pay-to-play” arrangements, d) prohibition of “bid-rigging” arrangements, e) prohibition of reinsurance brokerage leveraging, f) prohibition of inappropriate use of wholesalers, g) mandated disclosures to clients, h) standards of conduct and training, i) prohibitions against violating New York and federal laws, and j) establishment of compliance and complaint monitoring procedures.

Willis initially took the position that the AOD did not apply to reinsurance or surety lines of business. This was contrary to the NYAG and NYSID’s interpretation of the AOD. Following discussions in 2007 with NYSID and the NYAG regarding this difference in interpretation, Willis agreed to apply the provisions of the AOD to reinsurance and surety lines of business prospectively. Willis stated that no contingent commissions were received in connection with its reinsurance business during the period 2001 – 2004. RSM McGladrey did not perform testing procedures to validate this statement. Contingent commissions were received during this period on surety business, and were included in the calculation of the Settlement Fund distribution.

## **B. Amendments to the Assurance of Discontinuance**

Subsequent to the signing of the AOD on April 7, 2005, three separate amendments were executed to clarify the application of various provisions of the AOD to certain Willis businesses and practices. Key issues addressed in these amendments include the timeframe for satisfying the terms of the AOD and clarification concerning permissible forms of compensation when the Company serves in the capacity of a managing general agent or underwriting manager for a carrier. Copies of the Amendments are annexed to this Report at Appendix C.

## **C. Purpose of the Examination**

Company management asserted that procedures were established to implement the Settlement Fund distribution process. In addition, policies and procedures, including discontinuance of the acceptance of contingent commissions as of October 2004, were represented to have been implemented. Willis also reported the adoption of compliance practices and related testing to ensure compliance with new policies and procedures.

Pursuant to the terms of the AOD, Willis is subject to annual examination by NYSID for a period of five years beginning in 2005. The purpose of this examination is to validate the assertions of the Company and to perform targeted testing procedures of the policies and procedures. The period covered by this examination is from June 6, 2005 to June 6, 2007. Subsequent to this examination period, Willis implemented additional compliance procedures in connection with the requirements of the AOD that address many of the recommendations contained in this Report. These new procedures have not been tested, and will be the subject of the next examination.

## **II. BACKGROUND ON WILLIS GROUP HOLDINGS LTD., WILLIS NORTH AMERICA, INC. AND WILLIS OF NEW YORK, INC.**

Willis' origins lie in the early 19th century with the founding in London of three firms, Henry Willis & Co, Faber Brothers, and Dumas & Wylie, the first two of which merged in 1897 to form Willis, Faber & Co. When that firm was joined by Dumas & Wylie in 1928, the name of Willis, Faber & Dumas Limited came into being.

R A Corroon & Co. Inc. was established in New York in 1905. In 1966, it merged with C R Black Jr Corporation, to form Corroon & Black Corp. Of subsequent amalgamations, the most significant was with Synercon Corporation of Nashville in 1976.

In 1990, Willis Faber merged with Corroon & Black to form the Willis Corroon Group (the Group). In mid-1998, the Group's shareholders accepted an offer from Kohlberg Kravis Roberts. Consequently the Group, which had been publicly quoted since 1976, reverted to being a private company. In 1999, the Group's operations amalgamated under one name, Willis Group Limited which was listed on the New York Stock Exchange in 2001.

Willis provides a broad range of risk management consulting, reinsurance and insurance brokerage services to a diverse base of clients internationally. Willis provides specialized risk management advisory and other services on a global basis to clients in various industries, including aerospace, marine, energy and construction. In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through the Company's global distribution network.

Willis has approximately 16,000 employees, located in approximately 300 offices in 100 countries. Willis maintains a retail distribution network consisting of approximately 50 retail offices in five regions in the United States. At the end of 2006, Willis employed approximately 3,500 people in the United States.

Revenues for the year ended December 31, 2006 was \$2,428 million (2005--\$2,267 million).

### III. PROCEDURES FOR SETTLEMENT FUND DISTRIBUTION

#### A. Overview

Willis earned an estimated \$93 million of contingent commission revenue from placing, renewing, consulting or servicing insurance policies with inception or renewal dates from January 1, 2001 through December 31, 2004. The \$50 million Settlement Fund amount was established through negotiations among Willis, the NYAG and NYSID. According to Willis management, all contingent commission agreements in the United States were discontinued effective October 2004, while outside the US, they were discontinued as of December 31, 2004, and any subsequent receipts were returned to carriers. The compilation, calculation, notification and payment process for the distribution of the Settlement Fund required by the AOD began in June 2005 and was completed in March 2006.

#### B. Company Procedures

The following sections outline the procedures used by the Company to distribute the Settlement Fund to eligible clients.

##### Determination of Eligibility

The first step in the process was to compile the relevant data to identify and determine the eligibility of clients that purchased policies that contributed to Willis receiving a contingent commission payment. Eligible participants included US-based individuals and entities as well as international clients with insured assets in the United States.

##### Duties and Responsibilities of Consulting Firms

Willis engaged the services of Navigant Consulting to assist in the compilation of data, determination of eligible clients and calculation of settlement payments. Navigant created the database of all policies that contributed to a contingent commission payment, produced the calculation of the settlement offer amounts and calculated the settlement payments after receipt of the signed releases.

Willis also contracted with Rust Consulting to assist in policyholder communications and the distribution of Settlement Fund checks. Rust Consulting was responsible for completing the printing and mailing of offer letters, processing the receipt of signed offer letters, obtaining the releases and tax withholding information and printing and mailing checks.

##### Formula for Determining Settlement Fund Distribution Amounts

A general formula to calculate the Settlement Fund distribution amount to which each eligible policyholder was entitled was provided to Willis by the NYAG. Data was collected by a variety of methods. Certain adjustments, modifications and alternative methods were performed based on the data available within the various business units. The formula calculation, as outlined by the NYAG, was performed by Navigant Consulting, in consultation with Willis, for each contingent commission payment.

#### Collection of Contingent Commission Payment Information

Willis constructed a database with information on each contingent commission payment received during the relevant period. The database was reconciled to the contingent commission schedule provided to the NYAG. The contingent commission payment information was broken down by carrier, payment, office and month received. Contingent commissions received in the US were historically recorded as a separate line item in the Company's ledgers. Outside of the US, contingent commissions were not always recorded as separate line items, nor separately identified between US and non-US policyholders. Willis therefore had to identify and analyze each contingent payment received outside of the US to identify any component relating to US policyholders.

#### Collection of Client Level Premium Payment Information

Willis collected information concerning which client premiums contributed to each contingent commission payment received. This information was used to compile carrier spreadsheets detailing client policy effective dates and premiums that contributed to each contingent commission payment received from that carrier. The information was collected from several sources:

- Insurance carriers.
- Willis' internal records and documentation.
- Willis' accounting records and contingent commission agreements.

#### Carrier Information

Wherever possible, Willis used information provided by the insurance carriers that paid contingent commissions to identify which clients' policies and premiums contributed to those payments. When this information was available, it was entered into the relevant carrier spreadsheet.

#### Willis Policy Level Information

Where carrier information was not available, Willis collected policy level information from internal business records. When this information was available, it was entered into the relevant carrier spreadsheet.

#### Other Information from Internal Records

Where policy level information was not available either from carriers or from Willis' business records, Willis collected other relevant information from its business records including the applicable line of business and broking office. When this information was available, it was entered into the relevant carrier spreadsheet.

#### Collection of Accounting System Premium Data and Review of Carrier Contingent Commission Agreements

When it was not possible to identify from either carrier information or from its own records which premiums contributed to a given contingent commission payment, Willis used premium information maintained in its accounting systems along with a review of contingent commission agreements. The methodology used was as follows:

- Willis conducted a search for, and collected all available contingent commission agreements.
- Willis reviewed each agreement to determine which Willis office or business unit was covered by the agreement, the effective dates of the agreement, the lines of business covered by the agreement and any other relevant information.
- To ensure only clients whose premium contributed to a contingent commission payment were included, Willis removed premium payments for lines of business that the carriers did not count towards a contingent commission payment.

- Once the inapplicable lines of business had been removed, the contingent payment was attributed to the remaining premiums.
- This information was entered into the relevant carrier spreadsheet.

#### Carrier Spreadsheets

Each carrier spreadsheet contained details of all client premiums that had contributed to each contingent commission payment received from that carrier. Each contingent commission payment was allocated among the clients on a pro rata basis based on each client's premium volume compared to the total gross premium that contributed to a given payment. The carrier spreadsheets were reviewed and, where deemed appropriate, further investigation was conducted. Information obtained from practice groups, business units and offices was added to the carrier spreadsheets as appropriate.

#### Settlement Allocation

Carrier spreadsheet information was input into a database and grouped by client. With approval of the NYAG, clients with a de minimis total aggregate settlement amount of less than ten dollars were removed and the de minimis amounts reallocated to remaining participants on a pro rata basis. Interest earned on the Settlement Fund through the expiration of the offer on February 1, 2006 was also allocated to participating clients on a proportional basis.

The list of clients and amounts to be offered was submitted to the NYAG and NYSID. Approval was obtained from the NYAG to proceed with the distributions.

#### Notification and Acceptance Process

Navigant provided a file with the corresponding payment information to the disbursement consultant, Rust Consulting, in order to provide clients an estimated amount of their settlement in their offer letter. Rust Consulting managed the process of communicating the terms of the settlement to clients and recording their response. Rust Consulting updated the file containing the settlement information to include client response information. Rust Consulting then provided this updated file to Navigant.

The deadline for the Settlement Fund participation was February 1, 2006 based upon an amendment to the AOD dated August 1, 2005. Eligible clients were sent letters notifying them of their eligibility to receive a payment from the Settlement Fund and the process for accepting the offer. This letter also explained the background of the investigation completed by the NYAG and NYSID and included the proposed amount they were to receive under the Settlement Fund. In accordance with the provisions of the AOD, clients were required to sign an acceptance and release to be participants in the Settlement Fund. After developing the initial calculation, any clients allocated an amount and presented with an offer that ultimately did not sign a release were eliminated. The amounts offered to those clients were reallocated proportionately across the rest of the participants who signed releases.

From the responses, Navigant created new queries to reallocate the settlement among participating clients and to allocate interest earned. The results were then provided to the NYAG and NYSID. The NYAG gave approval for Willis to proceed. The results of these queries were then sent back to Rust Consulting to issue payment.

### Settlement Fund Distribution Process

As noted above, Willis employed a second consultant, Rust Consulting, to handle the production and mailing of Settlement Fund checks, which were required to be distributed by April 1, 2006. They also were responsible for the reconciliation of the Settlement Fund bank account and any subsequent customer correspondence regarding the payments. The payments were completed on March 6, 2006. The Willis Internal Audit Department tested a sample of payments. The internal auditors concluded that the distribution of the Settlement Fund was satisfactory.

## **C. Review and Significant Observations**

The AOD required that Willis distribute a total of \$50 million to its participating clients in accordance with an approved formula. This required that Willis identify through its records all contingent commissions received and attribute the payments to the clients according to the premiums upon which the contingent payments were based. Examination procedures of inquiry, observation and testing were applied to the Willis Settlement Fund distribution process. This part of the examination was intended to evaluate whether Willis and its third party representatives were reasonably diligent, conscientious and comprehensive in developing and implementing the Settlement Fund distributions.

### 1. Data Collection and Determination of Eligibility

The data collection process was complex due to the lack of detailed records linking contingent commission payments to the premium the carriers used to calculate those payments from 2001–2004, the period covered by the AOD. Willis was unable to provide a reconciliation of contingent commissions received worldwide since contingent commissions were not recorded separately in accounting systems during the subject time period outside of the US. Willis allocated contingent commissions received to the applicable clients based upon information provided by the carriers. For a sample of those clients who received offers, RSM McGladrey verified the receipt of contingent commissions and its application to client policies to Willis' financial records.

RSM McGladrey performed an evaluation of the Company's Settlement Fund allocation and distribution procedures through discussions with Willis. A separate walkthrough of the process was provided by Navigant Consulting with respect to one client with significant policy holdings. Navigant's representative was knowledgeable of the process and demonstrated an understanding of the complexities associated with obtaining accurate information to compile the database.

### 2. Application of Calculation

The examination included review and testing of the Access database and the reconciliation of amounts to the Company's financial records as well as to the information supplied to the NYAG. RSM McGladrey reviewed documentation of the approval from the NYAG for the methodology used in the calculations.

### 3. Distribution and Reconciliation Procedures

As noted above, Willis did not maintain detailed records of all contingent commission payments received during the 2001–2004 period. The Company maintained separate general ledger accounts for contingent commissions in the United States. In the United Kingdom and certain other international business units, contingent commissions were recorded with other commissions in one

general ledger account. In these instances, Willis estimated the contingent commissions using contingent fee agreements and other supporting records. This approach appears reasonable. RSM McGladrey was able to reconcile approximately 97% of total contingent commission income to supporting financial records.

A sample of client policies were reviewed to determine that proper allocations of the Settlement Fund were made according to the NYAG's approved formula. Supporting records reviewed included the release signed by the client prior to the due date and the contingent fee agreements to determine that only eligible policyholders received a share of the Settlement Fund. Based on our review, the allocations appear to have been properly completed.

#### 4. Settlement Fund Sample Testing

Testing included a review of the internal audit work and a sample of client distributions based upon the size and geographic dispersion of the clients. Cancelled checks and other payment support were reviewed to ensure the proper amounts were paid in accordance with the calculated settlement amount. Accrued interest was recalculated and agreed to supporting bank statements.

Of the \$50 million Settlement Fund, more than 99% was distributed with \$116,000 uncashed as of the date of this Report. The account balance was recently transferred into an interest bearing Willis bank account that is commingled with other Willis funds. A liability was established for future check presentations or replacements. Willis provided a detailed list of the amounts owed to participating clients and stated that several phone calls previously were made to encourage participants to cash the settlement check. The Company informed us that there are no further plans to contact participants. The segregation of these funds is recommended until the checks are presented by the clients or escheated to the State as abandoned property. Further, it is recommended that the Company should contact these individuals in writing one additional time prior to escheating the funds to the State, to document a good faith effort to disburse the funds.

#### **D. Summary**

As of the date of this Report, all Settlement Fund distribution checks have been issued and more than 99% of these checks have been presented to the bank. The outstanding balance in the Settlement Fund was returned to Willis in August 2007 and a liability was established for future check presentations and replacements. Willis engaged consultants to perform the majority of the Settlement Fund allocation and distribution procedures. Although Willis supervised the work of the consultants, no independent validation or testing of the consultant's work was performed. Despite the lack of detailed records necessary for RSM McGladrey to fully test Willis' distribution, it appears that Willis conducted reasonable efforts to identify and compile the contingent commission amounts used to establish the basis for the Settlement Fund distribution. Based upon testing performed, there was substantial compliance with the terms of the settlement as outlined in the AOD.

## IV. COMPLIANCE PROCEDURES – TRANSACTIONAL POLICIES & PROCEDURES

### A. Overview

The AOD requires that “Willis in placing, renewing, consulting on or servicing any insurance policy shall in writing: (a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Willis in connection with the coverage of the client’s risk with all terms, including but not limited to any Willis interest in or contractual agreements with any of the prospective insurers and all Compensation to be received by Willis for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurers or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client.” AOD par. 14.

In addition, the AOD prohibits Willis employees from accepting gifts of material value from insurers. Willis has a policy prohibiting the receipt of gifts and entertainment from insurers in excess of \$100 and requires that Willis employees comply with this requirement. All employees are required to maintain a register of gifts received.

### B. Company Procedures

#### Disclosure

Willis has a detailed placement process that includes internal controls to ensure that placements meet the standards of the Company and comply with the terms of the AOD. The process is known as the Willis Excellence Model (WEM). Compliance with WEM is compulsory and is enforced through compliance reviews and internal audits. The requirements of the AOD that relate specifically to the placement process have been incorporated into WEM. WEM requires disclosure of all quotes sought and received, including the compensation that Willis will receive, written consent to compensation, disclosure of use of a wholesaler, and delivery of a standard Terms of Business Agreement which contains, *inter alia*, disclosure of the fact that Willis will retain interest on premiums collected from clients.

The definition of acceptable revenues in WEM was changed to reflect the prohibition on contingent compensation contained in the AOD. The controls, as represented by the Company, were established to identify and return all contingent commissions received by the Company after October 1, 2004.

#### Gift Policy

The Company provided a copy of the Company’s policy manual that included Willis’ gift policy. The Company indicated that the process implemented to adhere to the terms of the AOD included having each employee review Willis’ gift policy and maintain a log of all gifts received from carriers. Annually, the office leader is expected to review the gift logs for each employee in the office to validate that each employee was complying with the Company’s policy.

## C. Review and Significant Observations

### Disclosures

In accordance with the terms of the AOD, a client must consent in writing to Willis' compensation for the placement of insurance "before the binding" of the coverage. AOD par. 7. Willis' global policy included in WEM guidance to the local offices is not specific regarding when the client consent is to be received. In practice, Willis obtains consent by the effective date of the placement.

As of June 2007, the Company implemented a change in the process that included an acknowledgement of "implied consent" by the payment of the policy premium when a client fails to sign the consent prior to the effective date of an insurance placement. After two attempts to obtain the required consent, the broker sends a letter stating that the payment of premium constitutes the client's consent to compensation.

### Gift Policy

The Company's monitoring process of the gift policy is not consistently applied by each office. A sampling of offices disclosed a variance in the manner in which gift logs are maintained, the information included in the gift logs, and variations in the method to validate that employees are in compliance with the gift policy. We recommend that uniform policies be implemented in this regard and that the Company develop a process which outlines corrective actions to be taken in the event that an employee does not comply with the policy.

### Placement Files Sample

A judgmental sample of twenty placements for the period June 6, 2005 through June 6, 2007 was selected and reviewed to validate whether the policies and procedures implemented by the Company in response to the AOD were being followed by the field. The sample files regarding insurance placed shortly after process changes were implemented in June 2005 revealed that that process was not applied consistently throughout the Company. The sample files for more current placements indicated that the process was being applied more consistently throughout the Company. The review revealed several areas in which standard protocol had not been consistently applied and as a result, documentation varied greatly. The documentation included in many placement files was a verbal call record, which is a written note from Willis staff regarding the approach discussed with a client. In some instances, the Willis broker followed up on calls in writing, but in most instances, the client did not receive any written documentation to review. As a result, there was limited evidence that the placement strategy had been communicated to the client. The placement strategy should be used to communicate and document instructions from clients that are relevant to the AOD, such as "last looks", bid/invitee list, sharing information with bidders, etc.

A part of the placement process includes reviewing quotes and declinations received from carriers. The Company has a policy whereby each file is supposed to have a peer review of the quotes and declinations prior to sending to the client. The inclusion of this step in the placement process increases the accuracy of information being presented to clients. Testing revealed that the process of documenting that the file was reviewed by a peer was not consistently applied. In addition, file documentation of all quotes, declinations and non-responses did not comply in every instance with the Company's placement file policy.

The AOD states that the Company must obtain the client's consent to compensation in writing prior to binding. As noted above, the Company's process is to obtain the consent to compensation prior to the policy effective date. Testing revealed that for approximately 53% of the sample, the Company did not obtain the consent to compensation prior to binding. The Company's process to receive the consent to compensation prior to binding needs significant improvement to be in full compliance with the terms of the AOD.

The sample selected was examined for disclosure of wholesaler and/or premium finance arrangements. The sample included two files that utilized wholesalers and one file that involved a premium finance company. In all cases, disclosure was presented to the client.

The final areas reviewed relative to the terms of the AOD concerned whether Willis requested or accepted contingent commissions, was involved in pay-to-play arrangements, bid-rigging arrangements, steering, or inappropriate use of wholesalers. The review of the selected files did not reveal evidence that these activities occurred.

#### **D. Summary**

The policies and procedures incorporated into WEM are generally adequate to comply with the terms of the AOD. However, there are several areas where the process should be enhanced to comply fully with the AOD. Specifically, the Company should apply a consistent procedure for timely disclosure and obtaining consent to compensation forms prior to binding coverage for all lines of business. It is recommended that the Company enhance its process to enforce the timely receipt of consents to compensation through disciplinary actions or the forfeiture of earned compensation.

The gifts and entertainment policy implemented by the Company in response to the AOD is adequate. Enhancements should be made by the Company to improve tracking of gifts and assure that the methods for tracking the receipt of gifts are consistent among offices. A standard log should be utilized by all employees to record gifts, meals and entertainment provided by insurers. It is recommended that the monitoring program be standardized to assure that the same measurement tools are in place across the entire organization. Annually, employees should certify the information included on their log and the logs should be submitted to their office leader for review. The office leader should certify in writing that the review has been completed. Finally, the Group Compliance Department should conduct an audit of the gift logs on an annual basis.

## V. COMPLIANCE PROCEDURES – TRAINING

### A. Overview

The AOD requires that Willis provide training in business ethics, professional obligations, conflicts of interest, antitrust and trade practices compliance and recordkeeping to ensure the best interest of its clients are maintained. Following the launch of its Client Bill of Rights in November 2004, Willis conducted a series of training sessions addressing many of the requirements that were subsequently included in the AOD. Training courses included the following: Delivering Transparency to Our Clients, the Client Engagement Guide, the Client Service Plan and the Client Advocacy Report. These training courses were designed to implement the AOD while also maintaining established client communications required by Willis.

### B. Company Procedures

#### Training Courses

On June 6, 2005, Mario Vitale, then CEO of Willis North America, and Wole Coaxum, then COO, led a training session for all Willis North America employees on the Business Reforms and Standards of Conduct contained in the AOD.

In February 2006, Joe Plumeri, Chairman and CEO of the Willis Group, and Mario Vitale, delivered a refresher session to all Willis North America senior managers. This was followed by more in depth training to over 2000 employees across North America and was delivered by Regional Compliance Officers between February and April 2006.

In the third quarter of 2006, Willis North America formally launched the New Associate Learning Program. This is the foundation of the training regimen at Willis. It is compulsory for all new employees and covers the AOD Business Reforms, the Global Policy Manual, the Gifts Policy, and the Willis Excellence Model.

Any changes to compliance related policies and/or procedures are incorporated into training presented by the Regional Compliance Officer prior to implementation. Once approved by Group Compliance, all training materials are posted to the Group Compliance website and are accessible to all Willis employees.

Willis utilizes technology such as recorded webcasts and internet meetings to deliver training to associates when face-to-face meetings are impractical.

#### Monitoring

Ongoing training needs are customarily identified through the compliance monitoring process, including self-assessment file reviews, internal audit reports and management.

Attendance at all training sessions is required to be recorded in the PeopleSoft Human Resources system. Previously, methods of recording attendance varied and records were not often retained at the individual attendee level.

### **C. Review and Significant Observations**

The examination procedures performed included an assessment of the AOD-related training curriculum, a review of who was required to attend, how the effectiveness of training was measured and how attendance was monitored. An understanding of the training process was completed by reviewing course content as well as participation in an on-site training course in the Minneapolis office. The examination also included a review of the training records for a sample of 25 employees that included senior officers, marketers, field representatives and compliance officers. The review included two separate groups of employees - those who were employed prior to the implementation of the business reforms required by the AOD and those with start dates after the reforms were implemented in June 2005.

#### Training Courses

The AOD Business Reforms were presented to all employees in June 2005. AOD requirements were included in training conducted in March 2006 and were included as part of the New Associate Learning Program since the third quarter of 2006. We recommend Willis implement a procedure to reinforce the requirements on an ongoing basis to refresh staff of their compliance responsibilities.

Tests or other procedures were not utilized to validate individual employee/producer understanding of course contents. During the examination period, the Company relied on feedback from management file reviews, compliance monitoring and Internal Audit reviews to identify staff training needs. The timing, subjectivity and sample testing nature of these reviews were not adequate to ensure training objectives were met. To promote better understanding and comprehension of the training material, it is recommended that tests for the courses, including a requirement for a passing score, be completed by all participants.

#### Monitoring

Management indicated that new employees are rescheduled for compliance training by Human Resources if they miss their scheduled session. There is no process in place to identify employees who have not attended a required training session. There is also no formal review of the centralized training system records to identify employees who have missed required training. Testing by RSM McGladrey identified certain individuals who did not attend any AOD-related training during the period since the AOD was implemented. Some of these individuals were new employees who should have received the New Associate Learning Program training; however, no record existed to confirm that this training occurred. A review process should be instituted to ensure that all employees complete training on a timely basis.

### **D. Summary**

The training curriculum appears to meet the requirements of the business reforms stipulated under the AOD. The lack of a formal monitoring program and the failure to maintain the related attendance records indicates that the ongoing process is in need of improvement. The training program should be revamped to establish a baseline of achievement including a requirement for testing results. The adoption of escalation and enforcement policies to address employees who fail to attend required training or complete the tests of comprehension is recommended.

## VI. COMPLIANCE PROCEDURES – ANNUAL DISCLOSURE

### A. Overview

#### Annual Client Disclosure Requirements

The AOD requires that Willis, in placing, renewing, consulting on or servicing any insurance policy shall in writing “disclose to each client at the end of each year all compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client’s policy.” AOD par. 14.

#### Annual Report to Superintendent

The AOD requires Willis to file an annual report with the Superintendent that includes the amount of each form of compensation received by Willis from each insurer with which it placed insurance during the preceding year.

### B. Company Procedures

#### Annual Client Disclosure Statements

The annual client disclosure statement shows policy number, line of business and commission earned by Willis for each policy placed for the client. It also states the period covered by the statement and provides the client with the toll-free client assistance number which they may call with questions or a complaint.

For agency-billed accounts, client disclosure statements for the year ending December 31, 2005 were sent during the course of 2006 and early 2007. According to Willis, approximately 29,000 of the agency-billed disclosure statements covering 2005 were sent. Most of the agency-billed disclosure statements for the year ended December 31, 2006 were mailed over the course of 2007. All statements were sent by regular mail with images maintained on a central database.

As of November 15, 2006, Willis reported that approximately 24,000 direct-bill annual client disclosure statements for the year ending December 31, 2005 had been mailed. Willis planned to begin mailing the 2006 direct-bill annual client disclosure statements in December 2007.

There were a number of quarterly assurance reviews incorporated into the statement compilation and mailing process. Willis randomly tests data extracted from the data warehouse used to accumulate the local office data from the IBS (billing system) source system and statements. The data to be included in the statements is sent to the field offices for review and approval before mailing.

To reduce the time that the field offices incur on the agency bill annual client disclosure statements, the offices review data spreadsheets rather than individual statements. Statements are categorized as “simple” (only one office involved - no inter company revenue sharing) or “complex” (multiple offices involved). An office review is waived unless the UK or Bermuda is involved or the assigned Willis staff determines the office should perform a review. Willis also worked with the IT Department to develop a “statement creation and print utility” that eliminates the need for an outside vendor to print and mail the statements and saves time in the preparation of the statements.

Prior to 2007, Willis spent a considerable amount of time allocating commissions to the client/policy that were not clearly identifiable to a client/policy. Willis has reduced the need for such allocations by entering client/policy level information at the time checks are received. Additionally, Willis North America Inc. started providing the UK with the IBS database and the IBS account number to facilitate matching clients/policies.

#### Annual Report to Superintendent

Each entity that placed business for US-based clients was asked to submit a report of their portion of any gross commissions received from a carrier, including contingent commissions. The respective finance department of each entity was asked to confirm which offices within the international network had placed business for international clients and to obtain the required data from those countries. Almost all of the US data comes from Willis' primary billing system, IBS. There is also a small amount of US commission data that comes from other non-IBS billing systems such as the separate systems for Willis of Kentucky, Willis Pooling and Willis Relocation Risks systems. Willis extracted information from its UK and other international systems to identify commissions received from carriers located outside the US on placements for US insureds.

The 2005 report includes contingent commissions relating to placements made in 2004 received in 2005 from carriers outside the US and by Willis' US Programs business. Since the NYAG and NYSID's investigation in 2004, these contingent commissions have been recorded separately from brokerage and fees. Business unit financial controllers were responsible for ensuring revenue booked was correctly stated and categorized. Additionally, the controllers were required to ensure that the income was associated with the proper carrier and the payments received agreed to the amount recorded. As a last step, they were asked to identify the amounts attributable to US risks for inclusion in the report.

All data was reviewed to ensure carrier information was linked to the appropriate carrier group by searching through A.M. Best and the internet to determine whether carriers with "like or similar" names were in fact part of the same carrier parent.

### **C. Review and Significant Observations**

Testing was performed to evaluate the completeness and effectiveness of the annual client disclosure process. Revenue recognition control procedures tested by the internal auditors were reviewed for adequacy. The examination included a review of the external auditor's workpapers for evidence of revenue recognition controls testing and conclusions reached. Testing included a review of 20 of the 2005 annual client disclosure statements. Since 2006 annual statements had not yet been sent, testing of these disclosure statements will be performed in the next examination.

To test the Annual Report to Superintendent, supporting records were examined for a sample of five carriers in 2005 and five carriers in 2006 to verify that the disclosed carrier compensation was accurate. The examination focused on carriers who reported contingent compensation in either 2005 or 2006. Supporting records were reviewed to determine that all carrier compensation was accurately reported in the correct year that was subject to annual financial statement audits.

Annual Client Disclosure Statements

As previously noted, Willis did not apply the AOD to its surety and reinsurance lines of business, and therefore compensation earned in these lines of businesses was not included in its annual client disclosure statements.

Due to issues encountered in accumulating and reporting commission income, 54% of the agency-billed and none of the direct-billed clients had been mailed annual client disclosure letters for 2006 as of the completion of testing in November 2007. Willis explained that their current systems and processes used to accumulate this data are in the process of being upgraded. Willis expected all of the direct-bill client letters to be mailed prior to December 31, 2007, but the significant delays indicate the Company needs to commit additional resources to address the system limitations so that annual reporting can be more efficient and timely.

The annual client disclosure letter has a toll-free assistance number to call. Some of the letters reviewed did not adequately explain that this number can be used for compensation-related questions or complaints. We recommend the toll-free number be conspicuously displayed with an explanation of how to report compensation-related complaints.

Annual Report to Superintendent

RSM McGladrey's testing of the 2005 Annual Report to Superintendent identified a misclassification in contingent commissions where \$615,000, or 15% of the \$4,400,000 reported for one carrier should have been included under other carriers. The Annual Report to Superintendent was reasonably accurate in total.

According to Willis, any contingent commissions received after October 1, 2004 were returned to the submitting carrier. No audit trail was available to support that the Company returned contingent commissions received after October 1, 2004.

**D. Summary**

Willis made a good faith attempt to complete the annual client disclosure process, but encountered significant delays and obstacles due to inadequate records and systems limitations. As a result, there were significant delays in mailing the 2005 and 2006 annual statements to clients. Willis recognizes that system improvements are necessary and has begun to streamline the process to improve the timeliness of annual client disclosure statements.

Willis was able to provide a substantially accurate Annual Report to Superintendent for 2006 and a reasonably accurate report for 2005. Both reports were submitted timely to NYSID.

## **VII. COMPLIANCE PROCEDURES – COMPLAINTS**

### **A. Overview**

The AOD requires that Willis “maintain a record of all complaints received concerning any Compensation from an Insurer which shall be provided to the Compliance Committee of the Board of Directors with the Compliance Committee’s quarterly report and to the Superintendent annually.” AOD par. 20. Willis represented that it sent communications to all offices defining this type of complaint and establishing a process to record and monitor complaints and client inquiries concerning compensation.

### **B. Company Procedures**

#### Reporting and Investigation

Willis set up a Client Assistance Hotline that clients can call to provide feedback on Willis’ service. Willis also set up a call center during the Settlement Fund process where clients could call with inquiries.

The Settlement Fund letters contained a telephone number the clients could call with queries. Clients were also provided with a copy of the Client Bill of Rights, which provides the Client Assistance Hotline number. The Annual Client Disclosure Statement also contains a number for clients to call with queries.

Complaints and inquiries concerning compensation are recorded on a log at the local offices and sent to Group Compliance on a monthly basis. Complaints are investigated by the Legal and/or Group Compliance Departments. All compensation-related complaints are reported to NYSID as required by the AOD.

### **C. Review and Significant Observations**

Testing was performed to determine that Willis has established policies and procedures to monitor the receipt and resolution of compensation-related complaints in accordance with the AOD. Reporting of complaints to the Compliance Committee of the Willis Board of Directors and the Superintendent was reviewed for timeliness, completeness and accuracy. A sample of five reported complaints out of the 20 reported over the two-year examination period were reviewed to determine the nature of the complaint and the actions taken to address the complaint in a timely and responsive manner. The client inquiry logs used to identify complaints were reviewed to determine that the complaint monitoring process was effective. Individual offices visited by RSM McGladrey were queried to determine if the complaint reporting process was understood, reporting requirements were met and complaint logs were maintained. Although a compilation of inquiries and complaints was provided, no complaint logs existed for the individual offices visited by RSM McGladrey.

Based on the review of the Board Compliance Committee minutes, the reporting of complaints was not performed on a quarterly basis as required by the AOD except in April 2007. The annual reports of compensation-related complaints to NYSID were presented to the Compliance Committee in July 2006 and July 2007.

RSM McGladrey observed a lack of detail in the initial recording of inquiries and the action taken to resolve. As a result, RSM McGladrey could not always determine whether certain inquiries constituted compensation-related complaints requiring a report to the Superintendent. RSM McGladrey also observed the lack of a consistent process for the initiation, file set-up, and resolution of complaints investigated by the Legal or Group Compliance Departments. The complaint files reviewed did not include records of phone calls, emails and other communications to support the specific investigations and ultimate actions. RSM McGladrey met with the individual responsible for the investigations to determine the resolution of the selected complaints. Willis should improve the documentation of its complaint files to ensure that all pertinent information concerning these matters and their resolution are appropriately retained and to demonstrate that all compensation-related complaints are reported to the Superintendent as required by the AOD.

The established customer hotline is not a dedicated line for the reporting of complaints. The phone line is not manned by an operator outside of regular business hours. After-hour callers are connected to a general voicemail system that provides no reference or guidance for reporting a compensation-related complaint. Likewise, established lines of communication for employees and customers to report concerns that may relate to AOD compensation issues, such as the whistleblower and insurer compensation toll-free numbers, can be reported to either the Group General Counsel or Group Compliance. RSM McGladrey recommends that the current process be enhanced to ensure compensation-related complaints received through any channel are immediately and concurrently communicated to Group Compliance.

#### **D. Summary**

Willis had a relatively low number of compensation-related complaints. While it appears that complaints were investigated, the results were not well documented. The complaint monitoring process needs improvement to ensure that all compensation-related complaints are captured and resolved. Board Compliance Committee minutes should document that compensation-related complaints were reviewed on a quarterly basis as required by the AOD.

The Company's process to resolve compensation-related complaints within the local office provides good client service but testing revealed that the complaint definition and the recording processes are not well understood by field office employees. It is recommended that the process for maintaining complaint logs by offices should be standardized. Additional training is recommended for employees to identify, record, and resolve compensation-related complaints, and to ensure complaint logs are maintained in each office in a standardized manner. In addition, all complaints should be reported directly to an independent party, such as the Group Compliance Department, concurrent with the date reported to the respective office involved. The Company should retain the supporting documentation to adequately explain the resolution of compensation-related complaints.

## VIII. COMPLIANCE PROCEDURES – COMPLIANCE MONITORING

### A. Overview

Using the Group Compliance and Internal Audit Departments, Willis monitors the adherence of transparency policies and procedures implemented to meet the terms of the AOD. The reviews provide an assessment as to whether or not the field staff is acting in compliance with the procedures outlined by the Group Compliance Department.

### B. Company Procedures

#### Structure of the Audit Function

Willis monitors compliance with the AOD through regular self-assessment file reviews, quarterly controls/risk self-assessment, monthly testing of written consent to compensation, office visits by Regional Compliance Officers (RCO) and internal audit reviews. In addition, during the period March 2006 through September 2006, Willis implemented a program of management file reviews to be completed by the office leader of each Willis office.

The monthly monitoring of written consent to compensation and the program of management file reviews were introduced specifically in response to the AOD. The other existing monitoring mechanisms were modified to ensure the requirements of the AOD were covered.

The compliance monitoring structure is comprised of the Business Unit Compliance Officers (BUCO), RCO and local, regional and national management. On a weekly basis, a conference call takes place with the Deputy Group Compliance Director for North America and the eight RCOs. This call allows each RCO to discuss compliance issues identified in their region and how they are being addressed. This dialogue between the RCOs provides an opportunity to handle compliance matters in a standardized manner. It allows for the early identification of trends based upon audit results and an opportunity to answer questions from field employees. The calls allow for discussions on employee training based upon trends and the implementation of new processes.

The Board Audit Committee was designated as the Compliance Committee of the Board of Directors required by the AOD. The Internal Audit and Group Compliance Departments report quarterly to the Compliance Committee, which in turn reports quarterly to the Board of Directors. The Office of the General Counsel meets with the Chairman monthly to report on matters including compliance with the AOD.

#### Self Assessment File Reviews

The Self Assessment File Reviews (SAFRs) process monitors business unit compliance with the AOD requirements through the addition of AOD-specific questions to the Willis internal placement review process. The SAFR process had been developed to ensure business unit compliance with Willis placement requirements embedded in WEM. The current checklist is 35 questions and includes some questions that are pertinent to AOD compliance.

The SAFR process, as described to RSM McGladrey by Willis, requires every Willis North America office to complete an agreed number of placement file reviews every month using a standard checklist. In the US, approximately 350 placement files are reviewed each month. The file reviews are completed by the respective office's BUCO and the results of these file reviews are reported to the RCOs. It is then the responsibility of the RCO to perform a quality review of the audits by retesting 10% of the files reviewed by the BUCO. The RCO compiles the results for the region into a summary report which is reported to Willis North America management.

The objectives of the SAFR process, as communicated by Willis, are to monitor that all components of WEM are being fully applied by the field and to provide a mechanism for compliance monitoring that could adapt to new requirements such as those within the AOD. The audits provide data to business unit management to plan and implement corrective and preventative actions related to compliance issues that arise and act as a mechanism to develop and deliver necessary training where deficiencies are identified.

The files to be reviewed are chosen by the office's BUCO, with input from the RCO, with the expectation that, over a calendar year, each client manager and each marketer will have at least one file reviewed. Additional focus is given to new employees or those identified from prior reviews or current information as requiring attention.

The Company has established a minimum number of files to be reviewed using the standard SAFR checklist. The RCO may agree to a variance in the number of files to be reviewed provided the annual aggregate number of files is achieved. The sample size for property and casualty files is based primarily upon the number of policies with a target goal of reviewing 10% of the placements for each business unit in a calendar year. The sample size for each business unit will be determined annually based upon trailing 12-month data, and the required number of files to be reviewed for each business unit will be discussed and agreed upon with each BUCO by their RCO.

Reviews of employee benefits files include one file per month with revenue less than \$25,000, one file per month with revenue between \$25,000 and \$50,000 and one file per month with revenue greater than \$50,000.

#### Management Files Reviews

The Management File Review process was introduced in 2006 to have senior management actively involved in AOD compliance monitoring and reporting. Between March and September 2006, the chief executives of each of the Willis U.S. offices were required to complete monthly reviews of placement files from their offices. The Company created a checklist to facilitate the review and to ensure consistency between the office reviews and reporting.

The Willis results/reporting process for the Management File Reviews consisted of capturing on a grid an indication as to whether, for each placement file reviewed, each of the AOD compliance items from the checklist were evident within the placement file documentation. This reporting was to be completed at the office level by the office's chief executive. These results were then reported to regional management and compliance personnel for compilation of results in a similar grid format, after which the regional results were reported to Willis North America management and compliance personnel. The Company completed reviews of 1,511 files during the seven-month period they were conducting these reviews.

#### Consent to Compensation Analysis

According to the terms of the AOD, for any placement in which Willis will be compensated by commission, Willis must disclose the amount of commission in writing to the client prior to binding, have the document dated and signed by an authorized company representative prior to the binding date of the coverage placed, and ensure that the completed consent is made a permanent part of the placement file. The Company tests placement files to determine whether the consent to compensation requirement is being adhered to by the field. This process is referred to as the Consent to Compensation Analysis. Testing by the Company included reviewing all placement files for the period of March 2006 through September 2006 and selecting a 10% sample of placement files subsequent to September 2006. This process required that the RCO for each region gather the Consent to Compensation documents for the sample chosen by Group Compliance. The documents were sent to Group Compliance where they were reviewed for inclusion of a properly signed and dated Consent to Compensation Agreement on each commission placement for which such consent was required. The results were then compiled by line of business, office and region and reported to Company management and Willis regional and corporate compliance personnel.

### **C. Review and Significant Observations**

RSM McGladrey selected a sample for each monitoring process Willis used during the examination period to test compliance with the terms of the AOD.

#### Self Assessment File Reviews

A judgmental sample was selected for review which included three office reports per quarter for the period Q306 through Q207. In reviewing the sample selected, some discrepancies were noted in the checklist items between offices and from SAFR checklist to summary report for an office. In addition, there were a few discrepancies between the office level reports and the summary management reports by region. RSM McGladrey recommends the accuracy of the data reported in the reports should be more closely monitored and that a document be prepared detailing the corrective actions and training necessary to address the significant SAFR issues.

The testing criteria to conduct file reviews are not consistent throughout each region. Instructions need to be created to ensure consistency and remove interpretation of SAFR requirements from the BUCOs conducting the reviews. In addition, the sample sizes of these reviews are inconsistent between offices. RSM McGladrey found some offices select a 10% sample of the placements for the quarter while other offices have a specific amount of files they review per quarter. Therefore, additional information needs to be communicated to the BUCOs conducting the SAFR reviews so that the sample selection process is consistent throughout all offices.

#### Management Files Reviews

This monitoring process was tested by RSM McGladrey to verify the accuracy of the information reported, to determine whether the process was effective during the period March 2006 through September 2006 and whether the Company should continue to conduct this monitoring process.

The Company indicated that this monitoring process was introduced in 2006 to "ensure Senior Management was actively involved" and to ensure AOD compliance was "fully embedded" within the company. Information gathered during the examination indicates that in some offices, reviews were not completed by the office leaders, but rather by the office's BUCO, although office leaders were ultimately responsible for submitting completed reviews. In the sample of offices reviewed, the process as communicated by Group Compliance was not followed consistently.

This monitoring process allowed the Company to review a large number of placement files for compliance with the terms of the AOD. The steps included in this review process are included in the SAFR process and therefore discontinuance of this process in September 2006 was reasonable.

#### Consent to Compensation Analysis

RSM McGladrey selected a judgmental sample of Consent to Compensation reviews that included the results from two office reviews prior to September 2006 and three office reviews after September 2006. There were discrepancies in the number of placements in the Willis reports and the information provided to RSM McGladrey. For 28% of the placements included in the sample, no consent to compensation was available for review by RSM McGladrey. Willis explained that this was because: 1) the placement was a fee only client for which consent to compensation was not required, 2) no consent to compensation had been obtained for the placement and the policyholder was no longer a Willis client, or 3) the placement selected for review was placed by a Willis office acting as a sub-broker for another Willis office, and therefore the consent to compensation was not available for review.

The Willis methodology for conducting these reviews is not well documented. According to the Company, the consents and all necessary information are sent to the Group Compliance Department for review and retention. To respond to testing inquiries made by RSM McGladrey, Willis gathered additional information from field offices as the necessary information was not available through the Group Compliance Department. Ultimately, testing by RSM McGladrey disclosed one exception in the testing sample. The documentation tested by RSM McGladrey did not indicate when Willis obtained the consent as it was not a required part of the Company's process. In addition, while a significant portion of the consents included common language, in some cases the language was not consistent.

#### **D. Summary**

The enhancement of the SAFR process by the Company to include the testing performed during the Management File Reviews has allowed the Company to be efficient in monitoring compliance with the terms of the AOD. Although training was given to all BUCOs in June 2006 and 2007, and is given through a continuous process of communication with RCOs, RSM McGladrey noted that there are no formal written instructions on how to conduct SAFR reviews. It is recommended that Willis develop and incorporate use of a reviewer's guide documenting the methodology for completing the review checklists, the information that should be incorporated into management reports, who should receive the management reports and the management review process to monitor the results. The reports should provide more information than the counts of exceptions as reported by offices. The guidance should reflect that regional and national compliance personnel should verify the information reported, and perform a quality review of the data transferred from the SAFR checklists to the summary reports. This would help to ensure that senior management reviews and acts upon the information being reported through this process.

The SAFR process is comprehensive and monitors the compliance components included in the AOD. It is recommended that a report be generated from the SAFR testing detailing the results of steps that relate to the terms of the AOD.

RSM McGladrey's review of the Consent to Compensation Analysis process disclosed that the review and retention process should be enhanced. Willis should develop a standard Consent to Compensation form to ensure that the Company's required language is provided to all clients subject to the terms of the AOD. The Company needs to train all client-facing staff that the Consent to Compensation must be obtained prior to binding. Once trained, the Company should monitor that the consent to compensation

is obtained prior to binding, not just prior to the effective date of coverage. The Company should enhance their process to ensure that reviews are consistently performed to determine whether the consent was obtained prior to binding, the disclosed compensation is consistent with the recorded compensation and includes the date received. The Company should include a process to verify that third party signatories (for example, agents of the insured) were properly authorized by the client to approve the commission rate.

It is recommended that the Company develop a process for documenting all compliance-related matters that arise or are systemic throughout the organization. This recommendation would include standardizing the method for communicating results and findings. The final step in this recommendation would be for the Company to create a formalized tracking system to monitor compliance-related matters, including a workplan for resolving the matters identified.

Subsequent to the time period included in this examination, Willis has represented that they have implemented additional compliance monitoring procedures and tools, such as a self assessment database, that address several of the issues raised in this Report. These procedures will be reviewed in the next examination.