

MARSH



Compensation Guide for U.S. Clients

About Marsh

Marsh's U.S. business is comprised of approximately 9,000 colleagues who are committed to Marsh's global vision: To be the industry's best insurance broker, intermediary and risk advisor. In serving a broad range of clients, we are guided by our core operating principles:

- Think like a client; think like an owner;
- Act with integrity, honesty and mutual respect;
- Deliver global capabilities locally; deliver local capabilities globally;
- Embrace continuous improvement; and
- Deliver the power of Marsh through collaboration.

Our Client Business Segments

As an insurance broker, Marsh's role is to facilitate the placement of insurance coverage on behalf of our clients. We are committed to obtaining the insurance products and risk management solutions that meet our clients' needs. Below is a brief summary of Marsh's principal business segments for U.S. clients:

Global Risk Management: Our Global Risk Management (GRM) segment focuses on clients with a broad footprint that require a global service team. Marsh serves well over 400 of the Fortune 500 companies. Whether they are U.S.-based clients with global operations or non-U.S. clients with U.S. exposures and insurance program elements, GRM clients generally have highly complex insurance and risk-funding program needs, and a wide array of risk management consulting requirements.

National Brokerage: The National Brokerage (NB) segment, which comprises significant portions of what has been our middle market practice, serves mid-sized domestic firms whose needs vary depending on industry, size, geography and the competitive environment in which they operate. A number of NB clients have full-time risk managers, but many do not. Marsh Select, a department within NB, is designed to meet the needs and resources of commercial accounts with a less complex buying style.¹

Marsh & McLennan Agency: The Marsh & McLennan Agency (MMA) is dedicated to serving the insurance needs of small businesses and middle market companies in

the United States. MMA clients look for market knowledge, experience and expertise in a streamlined manner at competitive prices, and generally do not require highly customized product adaptations. The strategic expansion of MMA is expected to come primarily from acquisitions of independent agencies that service small business and middle market companies.

Marsh U.S. Consumer: Marsh Consumer is comprised of six business channels: Association, Employer Benefits, Sponsored Program & Franchise, Branded Coverage, Business Process Outsourcing and Private Client Solutions. Consumer clients include affinity groups such as employers, associations, franchisors, business networks and other membership organizations, independent contractors, corporate clients and service providers in many industries, as well as high net worth individuals, their families and advisors.

For more information about Marsh, our businesses, colleagues and specialties please visit us on the internet at www.marsh.com.

¹) GRM and NB comprise what is sometimes referred to as Marsh's "core" U.S. broking operations.

Our Commitment to Transparency and Compliance

Marsh prides itself on being the industry leader in transparency and compensation disclosure. We are committed to maintaining the industry standard we have set for ethical business practices and client service. To fulfill that commitment, we pledge to our U.S. clients that we will:

- disclose the roles we perform in the insurance transaction;
- disclose our interests in and compensation arrangements with insurers;
- disclose—automatically in our core broking segments and upon request in other segments—the specifics of all quotes and premium indications we receive from insurers on our clients' behalf;
- disclose—automatically in our core broking segments and upon request in other segments—our compensation from insurers and from other third parties for the placements we make on our clients' behalf; and
- promptly respond to client requests for additional information about our compensation.

We have reinforced this commitment with a comprehensive compliance program that includes:

- a network of trained compliance specialists throughout the world;
- detailed compliance procedures;
- ethics and compliance training;
- regular transaction monitoring and auditing to make sure we live up to our standards;
- a hotline for any questions or complaints; and
- regular reports to our board of directors.

These initiatives translate into many benefits for Marsh's clients, including:

- a clear understanding of how Marsh is compensated for our work;
- a clear understanding of the scope of that work; and
- the ability to evaluate our services and any potential conflicts of interest.

Our Compensation

We are compensated in a variety of ways, including commissions and fees paid by insurance companies and fees paid by clients. Marsh may receive compensation through one or a combination of the methods listed below.

Retail Commissions: A retail commission is paid to Marsh by the insurer as a percentage of the premium charged to the insured for the policy. The amount of commission may vary depending on a number of factors, including the type of insurance product sold and the insurer selected by the client. Retail commission rates can vary from transaction to transaction.

Client Fees: Some clients may negotiate a fee for Marsh's services in lieu of, or in addition to, retail commissions paid by insurance companies. Fee agreements are in writing, typically pursuant to a Client Service Agreement, which sets forth the services to be provided, the compensation to be paid to Marsh and the terms of Marsh's engagement. The fee may be collected in whole or in part through the crediting of retail commissions collected by Marsh for the client's placements.

Enhanced Commission (EC): An enhanced commission, or EC, is payable to Marsh for market consulting services and/or distribution services we provide to insurers. It is a fixed percentage of the premium and is set in advance of the insurance transaction. EC is not dependent on volume, retention, profitability or growth targets. The services we perform are across the insurer's book of business (or a portion thereof) and are designed to assist the insurer in making more competitive offerings to our clients and prospects.

Market Consulting Service Fees: Marsh has contracts with certain insurers to provide market consulting services and/or distribution services in exchange for a fixed fee. As with EC, the services we perform are across the insurer's book of business (or a portion thereof) and are designed to assist the insurer in making more competitive offerings to our clients and prospects.

Wholesale Broking Commissions: Marsh may act as a wholesale insurance broker

for some transactions. In these placements, Marsh is engaged by a retail broker (which may include Marsh's retail broking operations) that has the direct relationship with the insured. As the wholesaler, Marsh may have a specialized expertise, access to surplus lines markets, or access to specialized insurance facilities which the retail broker does not have. In these transactions, the insurer typically pays a commission that is divided between the retail and wholesale broker pursuant to arrangements made between them.

Contingent Commissions: Some insurers agree to pay contingent commissions to brokers who meet set goals for all or some of the policies the brokers place with the insurer during a given year or other time period. The set goals may include volume, profitability, retention and/or growth thresholds. Because the amount of contingent commission earned may vary depending on factors relating to an entire book of business over the course of a year, the amount of contingent commission attributable to any given policy typically will not be known at the time of placement. Marsh will not accept contingent commissions on placements for any U.S. client served by our core U.S. broking operations, including placements outside the U.S. that are managed or controlled by such client, other than contingent commissions that may be earned in the capacity of managing general agent or underwriting manager. The Marsh & McLennan Agency and portions of Marsh's Consumer business will accept contingent commissions.

Supplemental Commissions: Some insurers agree to pay brokers supplemental commissions, which is compensation that is based on a broker's performance during the prior year. Supplemental commissions are paid as a percentage of premium that is set at the beginning of the calendar year. This

percentage remains fixed for all policies written by the insurer during the ensuing year. Unlike contingent commissions, the amount of supplemental commission is known at the time of insurance placement. Like contingent commissions, they may be based on volume, profitability, retention and/or growth.

Other Benefits or Compensation: Marsh may, from time to time, participate in insurance company promotional events or employee training and development provided by insurers. Sometimes, Marsh is reimbursed by insurers for its costs related to promotional marketing. Marsh also earns interest and other income on premium accounts, as paid to us by the financial institutions where insurance premiums are held prior to remittance to insurers.

For more information on Marsh's compensation, please contact your client executive or account representative.

Related Party Transactions

Marsh and its subsidiaries or affiliates own equity interests in a small number of insurers or reinsurers. A current list of those equity interests can be viewed at: <http://global.marsh.com/about/Transparency.php>. Marsh also owns or is affiliated with other insurance-related entities that may perform services associated with a client's account. Mercer is a premier human resource consulting firm that may provide Health & Benefits consulting and insurance placement expertise to Marsh clients. Guy Carpenter & Company is a leading reinsurance broker, and it may place reinsurance for insurance companies that insure a client's risk through Marsh. Victor O. Schinnerer & Company, Inc. serves as an underwriting manager for certain insurance companies. In addition, Marsh is the world's largest provider of captive management solutions. A captive is a licensed insurer that may insure or reinsure the exposures and risks of its parents, affiliated parties, or other parties. Marsh is also compensated for assisting its clients in obtaining premium financing, including through AFCO Premium Credit LLC, a joint venture between Marsh USA Inc. and AFCO Credit Corporation.

Questions? Just Ask.

We encourage you to ask questions regarding any aspect of your relationship with Marsh. Please feel free to ask a member of your account team.

If you wish to raise issues, express concerns, or file a complaint regarding compensation paid or payable to us by insurers or any other third parties, please contact our Ethics & Compliance line at 800-381-2105, 24 hours a day, 7 days a week.

Leadership, Knowledge, Solutions...
Worldwide.

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The information contained in this publication provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation, and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues. All insurance coverage is subject to the terms, conditions, and exclusions of the applicable individual policies. Marsh cannot provide any assurance that insurance can be obtained for any particular client or for any particular risk.

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