

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (hereinafter the "Agreement") is made and entered into as of this 31st day of January, 2011 (the "Effective Date"), by and among the State of Connecticut, including each of its departments and agencies (the "State"), Guy Carpenter & Company, LLC, including its present and former affiliates, subsidiaries, predecessors, successors and assigns and all officers, directors, employees, of the foregoing ("Guy Carpenter") and Excess Reinsurance Company, including its present and former affiliates, subsidiaries, predecessors, successors and assigns and all officers, directors, employees of the foregoing ("Excess Re"). The State, Guy Carpenter and Excess Re may hereinafter be referred to collectively as the "Parties" and individually as a "Party".

WITNESSETH:

WHEREAS, Guy Carpenter is a reinsurance broker for various insurance companies that operate throughout the United States and purchase reinsurance ("Cedents" or, individually, a "Cedent");

WHEREAS, Guy Carpenter managed or manages certain reinsurance facilities, known as the Property Facultative Facility, the Umbrella Facility, the Treaty Reinsurance Program Facility, and the Regional Accounts Program Facility (the "Facilities");

WHEREAS, various Cedents have purchased or currently purchase reinsurance from certain reinsurance companies that participate or participated in certain of the Facilities (each, a "Participating Reinsurer" or, collectively, the "Participating Reinsurers");

WHEREAS, Excess Re participated as a Participating Reinsurer in one of the Facilities;

WHEREAS, a civil action is currently pending among the Parties in the Superior Court of the State of Connecticut, Complex Litigation Docket, styled as *State of Connecticut v. Guy Carpenter & Company, LLC and Excess Reinsurance Company*, Docket No. HHD-X03-CV-07-4033778-S (the "Litigation") and in which the State filed the operative amended complaint on October 20, 2009 ("Amended Complaint") and in which the State is suing on its own behalf and on behalf of other persons and entities.

WHEREAS, the State has stated its intention to pursue other persons or entities in future litigations based on some of the same claims and theories set forth in the Amended Complaint; and

WHEREAS, the Parties have, to date, expended considerable resources in pursuing and defending the Litigation and desire to terminate the Litigation and avoid the further expenditure of resources in the Litigation or any future litigations, whether against the Parties or against the Participating Reinsurers or other persons or entities, that the State might consider bringing arising from the same conduct challenged in the Amended Complaint, and to do so with no admission of liability by Guy Carpenter, Excess Re or the Participating Reinsurers, who expressly deny any liability in the Litigation or arising from the conduct challenged in the Litigation;

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

1. Purpose and Scope

The purpose of this Agreement is to resolve completely and for all time the Litigation and to preclude any and all potential future litigation that the State may institute or could institute against the Parties, the Participating Reinsurers or any other persons or entities with respect to or otherwise relating to the Facilities based on conduct of the kind described in the Amended Complaint.

2. Withdrawal of the Litigation

Within seven (7) days of the Effective Date, the State shall file a Withdrawal of the Litigation, with prejudice and without costs, in the form attached hereto as Exhibit A.

3. Release and Covenant Not to Sue

Concurrently with this Agreement, the State shall execute a Release and Covenant Not To Sue in the form attached hereto as Exhibit B. All entities and persons released in the Release and

Covenant Not to Sue, whether specifically named therein or not, shall have standing to rely upon and enforce the terms thereof.

4. Settlement Amount

Subject to all of the terms and conditions contained in this Agreement, and upon execution of this Agreement and the Release and Covenant Not To Sue and the filing of the Withdrawal, a total payment shall be made to the State in the amount of Four Million Two Hundred and Fifty Thousand Dollars (\$4,250,000.00) (the “Settlement Amount”) within 3 days of the Effective Date. The Parties understand and acknowledge that persons or entities other than Guy Carpenter and Excess Re may benefit from this Agreement, including the Participating Reinsurers, and therefore it is anticipated that the Settlement Amount will be funded by various entities, including certain of the Participating Reinsurers, none of which shall be, or need to be hereafter identified to the State.

5. Guy Carpenter Undertakings

Solely for purposes of effectuating this Agreement and without any admission of liability or legal obligation to undertake the following commitments, Guy Carpenter agrees to take the following actions with respect to, and make the following disclosures to, any Cedents that participate in the Facilities. Guy Carpenter’s obligation to undertake any and all of the following actions and disclosures will expire at the end of the 2015 calendar year.

(a.) Before placing reinsurance for a Cedent with any reinsurance company in which Guy Carpenter has any direct or indirect ownership interest, Guy Carpenter will disclose to the Cedent, in at least one written communication,¹ any such direct or indirect ownership interest.

(b.) Prior to placing reinsurance for a Cedent in any Facility, Guy Carpenter will disclose to the Cedent in writing all commissions, fees or other remuneration that Guy Carpenter will or is expected to receive in connection with that placement. If Guy Carpenter recommends a placement where it will receive commissions above the customary fees identified

¹ The Parties acknowledge and agree that any obligation or reference in this Agreement to a written communication or “in writing” includes the use of e-mail communication.

on its website, it will disclose that fact in writing to the Cedent prior to the placement. No placements will be bound without the Cedent's written consent, after the written disclosure as provided herein.

(c.) Prior to placing reinsurance for a Cedent in any Facility, Guy Carpenter will disclose to the Cedent in writing any and all bids solicited and/or received by Guy Carpenter for that Cedent's proposed placement from reinsurers, including reinsurance companies that are, and are not, participating in the Facilities (if any).

(d.) Prior to placing reinsurance for a Cedent in a Facility, the Guy Carpenter broker working with that Cedent must consider in good faith whether that placement is in the Cedent's best interest. In so doing, the broker shall take into account potential relevant factors such as pricing, coverage and other terms, the credit-worthiness of the reinsurer(s), the reinsurer(s)' likelihood of continuing to renew business on a stable basis, and the Cedent's expressed desires. Guy Carpenter shall disclose, on its website or in written communications, the various factors that its brokers consider in making placement recommendations. If such disclosures are made on the website and not in a written communication, at least one written communication with the Cedent must direct the Cedent to this website information.

(e.) For each year in which the obligations in this paragraph 5 remain in effect, Guy Carpenter brokers will, when in the process of placing reinsurance for the ensuing year, undertake in good faith to obtain at least three quotes for reinsurance for thirteen Facility Cedents or potential Facility Cedents (the thirteen sampled Cedents are hereafter referred to as the "Sampled Cedents") from sources in addition to the Facilities, and will maintain all material records of such efforts and of all reinsurance quotes received and will make those records annually available to the State, by providing the same to the Office of the Attorney General. The State shall treat all such records as confidential and not subject to public disclosure to the maximum extent permitted by law. The thirteen Sampled Cedents each year will include: (i) at least one from each of the five geographic zones identified in Exhibit C; (ii) at least one in each of the following size classifications: \$0-5 million in direct annual written premiums, \$5-25

million in direct annual written premiums, and more than \$25 million in direct annual written premiums; and (iii) at least one from each of the RAP, Property Facultative and Umbrella Facilities (so long as those Facilities are operating). The Sampled Cedents each year will include all Connecticut domiciled cedents that purchase reinsurance from the Facilities, or specifically seek to purchase reinsurance from one or more of the Facilities. Consistent with sub-paragraph 5(c) above, prior to binding a reinsurance placement, the Sampled Cedent for whom such bids have been solicited shall be advised of any such bids received. To the extent that the Guy Carpenter broker so doing obtains terms for a Sampled Cedent that the broker or Cedent concludes are better than those offered by the Facilities, and whenever the price terms for comparable coverage are better than those offered by the Facilities, the broker will advise in writing all other Guy Carpenter brokers dealing with any Facility Cedents of the alternative bid(s), and all such brokers will consider the information so provided in connection with the good faith consideration of what placement(s) are in the best interests of the Cedent(s) with whom they are dealing. All Cedents, including Sampled Cedents, remain able to decide what reinsurance to obtain, and it is not the purpose of this Agreement to impose any implicit additional obligations on Guy Carpenter or any other person or entity other than those expressly set forth in this paragraph 5.

(f.) Guy Carpenter shall not prohibit any Participating Reinsurer from bidding separately for any business being ceded to a Facility or otherwise competing with a Facility. Any Participating Reinsurer shall be free to bid for business from other brokers or as part of the direct market.

(g.) A Facility may operate as a joint venture and may have a lead reinsurer that performs the underwriting functions and establishes the prices and terms to be bid by the Facility. Guy Carpenter will provide to any Cedent purchasing reinsurance from a Facility a written description of the structure of each Facility, on its website or otherwise, that includes the fact that there are multiple Participating Reinsurers and multiple cedents whose risks are being reinsured.

6. No Applicable Legal Principles

Nothing in this Agreement shall be construed as an admission that any particular legal principles apply to the Facilities, or to the role or legal obligations of Guy Carpenter to Cedents, the Cedent's insureds, or Participating Reinsurers.

7. No Admission of Liability

This Agreement and the performance of the obligations hereunder shall not be construed as, nor asserted to be, an admission of any wrongdoing or liability of any kind by any Party, any Participating Reinsurer or any other person; nor shall it be construed as a waiver of any legal rights or defenses with respect to any past, present, or future activities undertaken by any Party, Participating Reinsurer or other person or entity.

8. No Additional Relief

Upon execution of this Agreement and payment of the Settlement Amount, no additional relief, monetary or otherwise, will ever be sought by the State from Guy Carpenter, Excess Re, any Participating Reinsurer, or from any other person or entity, in connection with the Litigation or the activities described in the Amended Complaint, provided, however, that this provision shall not impact whatever rights the Attorney General has to enforce the terms of this Agreement.

9. Representations and Warranties

Each Party represents and warrants that:

- (a.) It has the authority to enter into this Agreement, the Withdrawal and the Release and Covenant Not to Sue;
- (b.) It has taken all necessary governmental or corporate actions to approve the making and performance of this Agreement and no further governmental, corporate or other internal approval is necessary;
- (c.) The making and performance of this Agreement will not violate any provision of the Parties' respective articles of incorporation, charter, by-laws, statutes or Constitution; and

(d.) It has signed this Agreement of its own free act and that in making this Agreement it has obtained the advice of competent legal counsel.

10. Entire Agreement

This Agreement, including all of the exhibits attached hereto, constitutes all agreements between the Parties. Any representations, promises or statements not set forth in this Agreement shall be of no force and effect. This Agreement shall not be amended or modified in any way without the written consent of all of the Parties. This Agreement shall not be construed against any Party preparing it, but shall be construed as if all Parties jointly prepared the Agreement and any uncertainty or ambiguity shall not be interpreted against any one Party.

11. Choice of Law and Forum

The Parties agree that any suit, action or proceeding arising under or concerning this Agreement shall be brought only in the courts in and of the State of Connecticut and that the law of the State of Connecticut shall govern any such matters.

12. Execution

This Agreement may be executed in duplicate counterparts, each of which shall constitute an original and all of which together shall be deemed a single document.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, affix their signatures hereto:

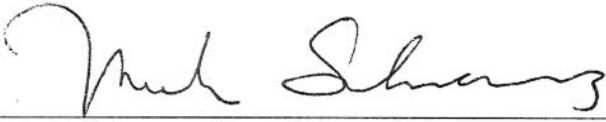
THE STATE OF CONNECTICUT

GEORGE JEPSEN



Attorney General of the State of Connecticut
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120

GUY CARPENTER & COMPANY, LLC

By 

Melvin A. Schwarz, General Counsel
1166 Avenue of the Americas
New York, NY 10036

**KNIGHTBROOK INSURANCE COMPANY,
formerly known as EXCESS REINSURANCE COMPANY**

By _____
Eric D. Jarvis, President
927 West Main Street
Valley View, PA 17983

GUY CARPENTER & COMPANY, LLC

By _____
Melvin A. Schwarz, General Counsel
1166 Avenue of the Americas
New York, NY 10036

**KNIGHTBROOK INSURANCE COMPANY,
formerly known as EXCESS REINSURANCE COMPANY**


By  _____
Eric D. Jarvis, President
927 West Main Street
Valley View, PA 17983

EXHIBIT A

Withdrawal

EXHIBIT B

Release and Covenant Not to Sue

RELEASE AND COVENANT NOT TO SUE

1. Releasor and Releasees

This Release and Covenant Not to Sue is made by the Attorney General of the State of Connecticut¹ on behalf of the State of Connecticut (and all of its subdivisions, instrumentalities, departments, and agencies) in its sovereign and parens patriae capacities, and to the maximum extent permitted by law, on behalf of all persons and entities on whose behalf the State brought suit. The State, as so defined, is referred to herein as the “Releasor”. The “Releasees” are all persons and entities, including but not limited to (i) Guy Carpenter; (ii) Excess Re; (iii) all Reinsurers that are participating in, have ever participated in or may participate in the Facilities; and (iv) the present and former parent company(ies), affiliates, subsidiaries, predecessors, successors, assigns, and all officers, directors and employees of any entity described in (i) - (iv) above. Each Releasee, whether specifically named or not, shall have the right to rely upon and enforce the terms of this Release and Covenant Not to Sue.

2. Release

For valuable consideration, receipt of which is hereby acknowledged, the Releasor hereby fully, finally and forever releases each and every one of the Releasees from all claims and causes of action of any kind or nature whatsoever, upon any theory of law or equity, that have been made, or could have been made or alleged in the Litigation, or otherwise arising from or related to any of the activities set forth and described in the Amended Complaint up to and including the date of the Settlement Agreement executed simultaneously between the Releasor and Guy Carpenter.

3. Covenant Not to Sue

The Releasor further covenants and agrees not to sue any person or entity, whether a Releasee or not, or whether already identified in the Amended Complaint or not, on the basis of any conduct described in the Amended Complaint, or on the basis of the conduct of the Facilities or the actions of Guy Carpenter, Excess Re, or any reinsurance company described or otherwise

¹ Unless otherwise defined herein, Capitalized terms in this Release and Covenant Not to Sue have the meaning ascribed to them in the Settlement Agreement executed this same date by the State, Guy Carpenter and Excess Re and as to which this Release and Covenant Not to Sue is attached as Exhibit B.

identified in the Amended Complaint, whenever that conduct occurred or might in the future occur, or on the basis of any claims that have been or could be made in the Litigation, regardless of when such conduct occurred or occurs. The Releasor acknowledges and agrees that it will not seek any relief, monetary or otherwise (other than the Settlement Amount), from any other person or entity in connection with the activities and claims described in the Amended Complaint.

4. Carve Out

The Releasor's Covenant Not to Sue set forth in paragraph 3 above does not apply to: (i) claims with respect to Guy Carpenter's compliance with the terms of the Settlement Agreement, and (ii) claims, arising after the sunset of Guy Carpenter's obligations under paragraph 5 of the Settlement Agreement, asserting that any failures of Guy Carpenter to make the disclosures set forth in paragraphs 5(a), 5(b), 5(c) or 5(d) (third sentence only) of the Settlement Agreement to Facility Cedents domiciled in Connecticut violates the law.

5. No Assignment.

The Releasor represents and warrants that it has not assigned any of the claims released herein.

THE STATE OF CONNECTICUT

By _____
George Jepsen
Attorney General of the State of Connecticut
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120

EXHIBIT C

GEOGRAPHIC ZONES

- Zone 1: Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia
- Zone 2: Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania
- Zone 3: Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Connecticut
- Zone 4: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin
- Zone 5: Arkansas, Louisiana, Mississippi, Oklahoma, Texas, Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming