Utah Counties Insurance Pool
Serving Counties Since 1992

AGENDA

BOARD OF TRUSTEES MEETING
Friday, November 12, 2004, 7:00 a.m.
The Dixie Center, Snow Canyon Room
1835 Convention Center Drive, St. George, UT

PLEASE READ: Minutes
PLEASE BRING:

	Call to Order	Dan McConkie
	Review of Board Members Absent	
	Approval of September and October Minutes	
ITEM	**INFORMATION**	
1	Brokers Report	John Chino
2	Loss Control Managers Report	Mark Brady
3	Chief Executive Officers Report	Lester Nixon
4	UAC/UCIP Joint Committee Report	Kent Sundberg
5	Annual Membership Meeting	Sonya White
	ACTION	
6	Payment Options for Workers Comp Contributions	Lester Nixon
7	Non-Member County Participation in Workers Comp Program	Lester Nixon
8	Approve 2005 Coverage Agreement	Steve Wall
9	Ratification and Approval of Payments	Gene Roundy
10	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
11	Action on Litigation Matters	Kent Sundberg
12	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
	Other Business Adjourn	

ADDITIONAL INSTRUCTIONS: Breakfast will be provided.

Utah Counties Insurance Pool
Serving Counties Since 1992

BOARD OF TRUSTEES MEETING

M I N U T E S

November 12, 2004, 7:00 a.m.
The Dixie Center, St. George, Utah

BOARD MEMBERS PRESENT

Dan McConkie, *President*, Davis County Commissioner
Lynn Lemon, *Vice President*, Cache County Executive
Gene Roundy, *Secretary-Treasurer*, Iron County Commissioner
Steve Baker, Davis County Personnel Director
Ken Bischoff, Weber County Commissioner
Kay Blackwell, Piute County Commissioner
Jim Eardley, Washington County Commissioner
Jerry Grover, Utah County Commissioner
Ira Hatch, Emery County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

OTHERS PRESENT

Lester Nixon, Chief Executive Officer
Mark Brady, Loss Control Manager
Sonya White, Executive Assistant
John Chino, Arthur J. Gallagher, Senior Vice President
Mark Morros, Arthur J. Gallagher, Account Executive

CALL to ORDER

Dan McConkie called the meeting of the Utah Counties Insurance Pool Board of Trustees to order at 7:00 a.m. on November 12, 2004. Dan welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

All Members of the Board were in attendance at this meeting.

APPROVAL of SEPTEMBER and OCTOBER MINUTES

The minutes of the Board of Trustees meeting held September 16, 2004 and the minutes of the Board of Trustees telephonic conference held October 27, 2004 were previously sent to the Board members for review. Steve Wall recommended that the following corrections be made to the September 16 meeting minutes: *costal* be corrected to *coastal* in the last sentence of the BROKER'S REPORT page two and add *Lynn Lemon seconded the motion, which passed unanimously* at the end of the APPROVE 2005 MULTILINE PREMIUM FORMULA item page five. Lynn Lemon made a motion to approve the September 16 meeting minutes as corrected and the October 27 telephonic conference minutes as written. Steve Wall seconded the motion, which passed unanimously.

BROKER'S REPORT

John Chino explained that while working on the renewal for 2005, he determines the difference in the Pool's exposure this year and from what was reported to the underwriters last year. The Pool grew by 10% due to the addition of members (Tooele and Morgan) and growth within the current members. With this growth, an increase would be expected in the reinsurance premium. Fortunately, with the high bar set by Lester Nixon, the reinsurance policies overall will actually decrease by three percent or approximately $60,000. The liability and workers' compensation reinsurance did increase but, due to the large reduction in property reinsurance, John was pleased to present the 2005 proposal at a three percent decrease. Since the proposal was just delivered, the complete 2005 program will be presented to the Board at its next meeting.

LOSS CONTROL MANAGER'S REPORT

Mark Brady reported that he is visiting the members to review compliance with the 2004 Risk Management Program. Every county he has visited so far has improved from last year. Mark has confirmed 100% compliance with Utah and Washington Counties. Wasatch County needs only to comply with two items of the program by the November 30 deadline to obtain 100% compliance. Mark has firm commitments from Davis and Weber Counties that they will also obtain 100% compliance by the deadline date.

Mark is in the process of drafting the risk management program for workers' compensation and will have it ready for the Board to review at the next meeting. An update of the multiline risk management program will also be ready for the Board to review at the next meeting.

CHIEF EXECUTIVE OFFICER'S REPORT

Lester Nixon reviewed the Multiline Claims Report (see attachment #1) as of October 31 with the Board and noted that the overall total loss ratio of the program is good at 34.52%. The recovery for a San Juan County case, which exceeded the self-insured retention by $233,000, is not showing on this month's report. County Reinsurance Limited paid the excess within three weeks; an excellent turnaround. Lester reviewed the Workers' Compensation Claims Report (see attachment #2) as of October 31 with the Board and noted that the overall total loss ratio of the program continues to be below the 40% ratio recommended by the actuaries.

Lester explained that the world's largest insurance broker, Marsh, is being investigated by the New York Attorney General's office. In articles (see attachment #3) provided to the Board to read at their leisure, Marsh is laying off 3000 employees from the fallout of the bid-rigging and contingent fee investigations. This damaging investigation will drive up insurance costs.

Lester explained that an injunctive claim in Uintah County that stems from a federal mandate of the treatment of the mentally ill will have statewide implications. The Disability Law Center is searching for mistreatment, poor conditions and civil rights violations of inmates that would affect their mental health. Injunctive claims are not covered by the Pool and attorney's fees are already at $20,000. The Uintah County Sheriff and the Sheriffs' Association have asked the Pool to help. Lester and Mark Brady will be meeting with the Uintah County Attorney and Frank Mylar, the defense attorney. Since there will be statewide implications, Jerry Grover asked if the Utah Association of Counties is willing to help? Lester will talk to Brent Gardner, Executive Director of the Utah Association of Counties.

UAC/UCIP JOINT COMMITTEE REPORT

Kent Sundberg reported that the UAC/UCIP Joint Committee met on September 29 and was given a copy of the sublease purchase agreement drafted by an attorney hired by the Utah Association of Counties (UAC). The agreement referred to several 'Exhibits' that were not attached. Kent requested

the exhibits and the UCIP Committee Members met to review the agreement and exhibits but found that several pages were missing. Kent wrote LaMar Guymon, President of UAC, asking that the next meeting of the Joint Committee be postponed until UCIP Committee Members had time to receive and review the missing pages. There are several problems with the agreement as it is now written but the Committee is hopeful these can be worked out.

2004 ANNUAL MEMBERSHIP MEETING

Sonya White reviewed the agenda (see attachment #4) and final preparations for the Annual Membership Meeting with the Board. More time has been scheduled for this meeting than in years past so that the Board and staff can fully inform the members of the business of the Pool. Trustee speaking assignments were made and, if needed, staff will assist Trustees with the preparation of their presentations. The Nominating Committee met and approved the nominations of the ballot election for the 2005 Board of Trustees.

PAYMENT OPTIONS for WORKERS' COMPENSATION CONTRIBUTIONS

Lester Nixon reported that there have been a couple of members that have asked if the Pool offers payment options for their workers' compensation premium; the Workers' Comp Fund offered quarterly and monthly payments. There haven't been any complaints about paying the premium up front, just questions. Reinsurance premiums are paid in January by the Pool and if premiums were deferred the Pool would lose approximately $30,000 in interest. The Board decided that if there are any complaints in 2005 they will look at payment options.

NON-MEMBER COUNTY PARTICIPATION in WORKERS' COMPENSATION POOL

Lester Nixon explained that Summit County has requested a proposal for workers' compensation coverage but are not members of the Pool. The Board directed staff to offer Summit County a proposal for workers' compensation as a non-voting named insured of the Pool; same as the health departments. If Summit County accepts the proposal, the Bylaws will need to be revised.

APPROVE 2005 COVERAGE AGREEMENT

On behalf of Steve Wall, Lester Nixon reported that the Coverage Agreement Committee met on September 16 and recommends that the Board approve the following changes to the 2005 Coverage Agreement (see attachment #5): 1) broaden coverage for pollutants by clarifying the definition, 2) cyber risk – attach an endorsement to exclude losses caused by viruses and "hacking" events, and 3) delete exclusion 20 in the property section that was written for/directed at the Y2K exposure. The Committee discussed adding a limited coverage for land use endorsement but since the September 16 meeting Lester recommends that this coverage not be added to the Agreement due to additional data and advice he received from the New Mexico Pool who has gone into a negative loss ratio after only two years of offering coverage for land use issues. The Board directed Lester to further research the cyber risk endorsement relating to internal and external causes for the Board to review at its next meeting. Lynn Lemon made a motion to accept and approve the Committee's recommended changes, numbers 1, 2, 4 and 6, to the 2005 Coverage Agreement. Ken Bischoff seconded the motion, which passed unanimously.

RATIFICATION and APPROVAL of PAYMENTS

Gene Roundy reviewed the payments made and the payments to be made with the Board (see attachment #6). Gene Roundy made a motion to approve the payments made and the payments to be made. Lynn Lemon seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Steve Wall made a motion to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation for November 12, 2004 at 8:30 a.m. Steve Baker seconded the motion, which passed unanimously.

Lynn Lemon made a motion to conclude the closed meeting to discuss pending or reasonably imminent litigation on November 12, 2004 at 8:40 a.m. Jerry Grover seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing settlement authority in an amount up to $40,000 on claim number WEB0000332004. Steve Baker seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Kay Blackwell made a motion to set the date and time for a closed meeting to discuss the character, professional competence, physical/mental health of an individual for November 12, 2004 at 8:45 a.m. Gene Roundy seconded the motion, which passed unanimously.

Jim Eardley made a motion to conclude the closed meeting to discuss the character, professional competence, physical/mental health of an individual for November 12, 2004 at 8:55 a.m. Kay Blackwell seconded the motion, which passed unanimously. Steve Baker made a motion to approve the personnel compensation issue. Steve Wall seconded the motion, which passed unanimously.

Respectfully submitted by Sonya White, Executive Assistant.

Approved on this 16 day of December 2004

Gene Roundy, *UCIP Secretary-Treasurer*

UTAH COUNTIES INSURANCE POOL
Multiline Claims Report
YTD as of 10-31-2004

COUNTY	EFFECTIVE DATE	PREMIUM	NUMBER of CLAIMS YTD Open	NUMBER of CLAIMS YTD Closed	TOTAL PAID	TOTAL RESERVES	TOTAL INCURRED	LOSS RATIO
Beaver	1/1/2004	$70,907	0	3	$25,534	$0	$25,534	36.01%
Box Elder	1/1/2004	$163,471	3	9	$16,964	$5,989	$22,953	14.04%
Cache	1/1/2004	$211,900	3	10	$23,457	$32,000	$55,457	26.17%
Carbon	1/1/2004	$119,539	0	4	$3,651	$0	$3,651	3.05%
Daggett	1/1/2004	$41,793	1	2	$56,194	$3,393	$59,587	142.58%
Davis	1/1/2004	$430,230	10	16	$47,839	$87,148	$134,987	31.38%
Duchesne	1/1/2004	$119,029	2	8	$12,256	$7,347	$19,604	16.47%
Emery	1/1/2004	$163,980	0	3	$24,172	$0	$24,172	14.74%
Garfield	1/1/2004	$68,171	0	2	$11,640	$0	$11,640	17.08%
Grand	1/1/2004	$92,354	0	6	$8,620	$0	$8,620	9.33%
Iron	1/1/2004	$151,767	2	7	$8,091	$8,000	$16,091	10.60%
Juab	1/1/2004	$126,917	1	3	$584	$427	$1,011	0.80%
Kane	1/1/2004	$80,309	0	3	$3,801	$0	$3,801	4.73%
Millard	1/1/2004	$145,870	1	10	$23,400	$5,000	$28,400	19.47%
Morgan	1/1/2004	$55,504	2	3	$3,120	$3,000	$6,120	11.03%
Piute	1/1/2004	$24,950	0	0	$0	$0	$0	0.00%
Rich	1/1/2004	$44,138	0	0	$0	$0	$0	0.00%
San Juan	1/1/2004	$165,655	5	7	$466,969	$20,363	$487,332	294.18%
Sanpete	1/1/2004	$82,776	1	3	$1,006	$3,000	$4,006	4.84%
Sevier	1/1/2004	$84,987	0	3	$3,989	$0	$3,989	4.69%
Tooele	1/1/2004	$182,679	1	8	12363.28	651.81	$13,015	7.12%
Uintah	1/1/2004	$184,482	2	10	$29,022	$500	$29,522	16.00%
Utah	1/1/2004	$496,363	9	15	$43,928	$131,731	$175,659	35.39%
Wasatch	1/1/2004	$178,120	1	8	$34,437	$11,620	$46,057	25.86%
Washington	1/1/2004	$241,739	6	15	$22,938	$55,000	$77,938	32.24%
Wayne	1/1/2004	$42,293	0	0	$0	$0	$0	0.00%
Weber	1/1/2004	$451,062	10	22	$44,839	$152,946	$197,785	43.85%
TOTALS		$4,220,986	60	180	$928,815	$528,117	$1,456,932	34.52%

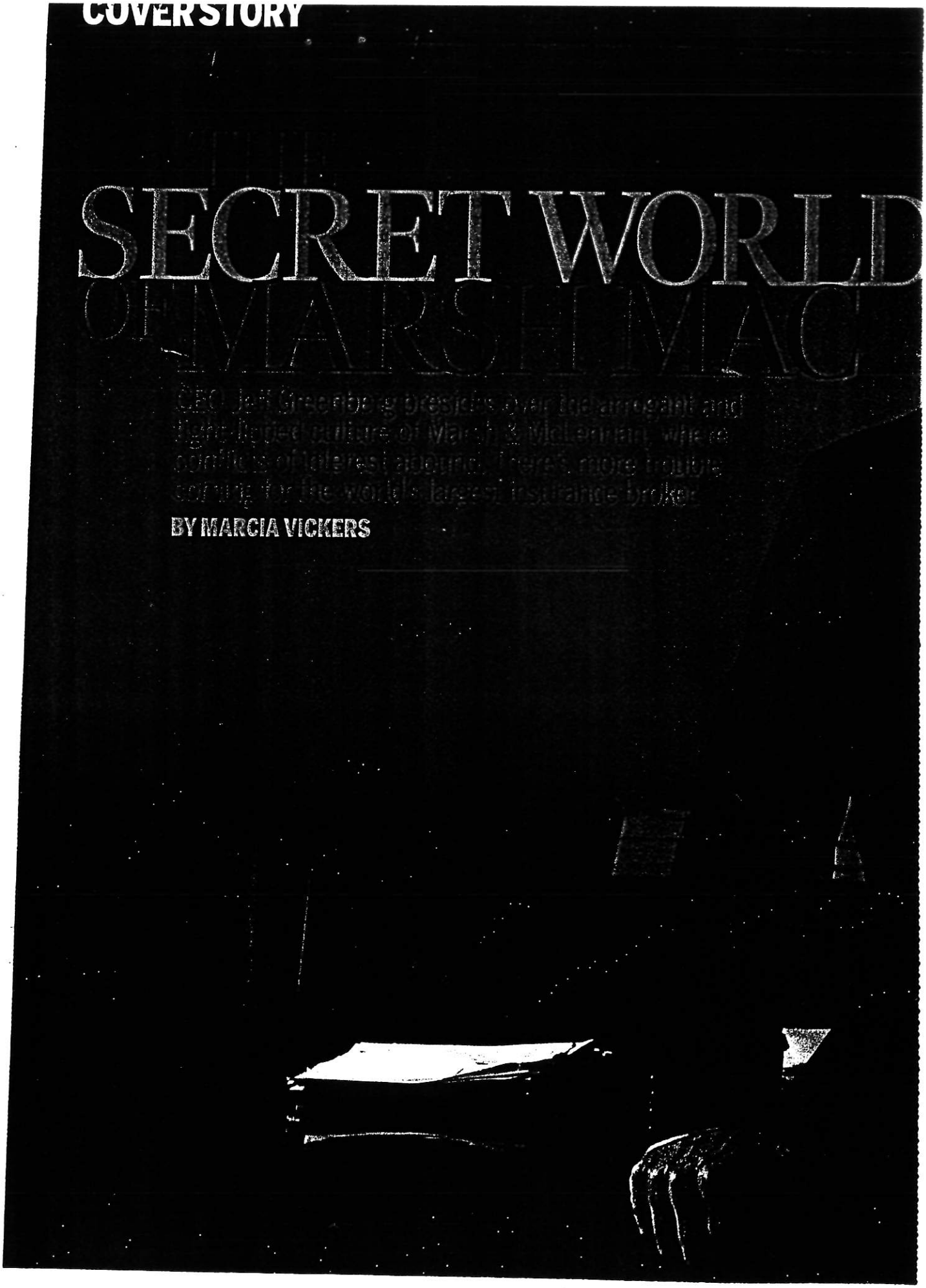
UTAH COUNTIES INSURANCE POOL
Workers' Compensation Report
YTD as of 10-31-2004

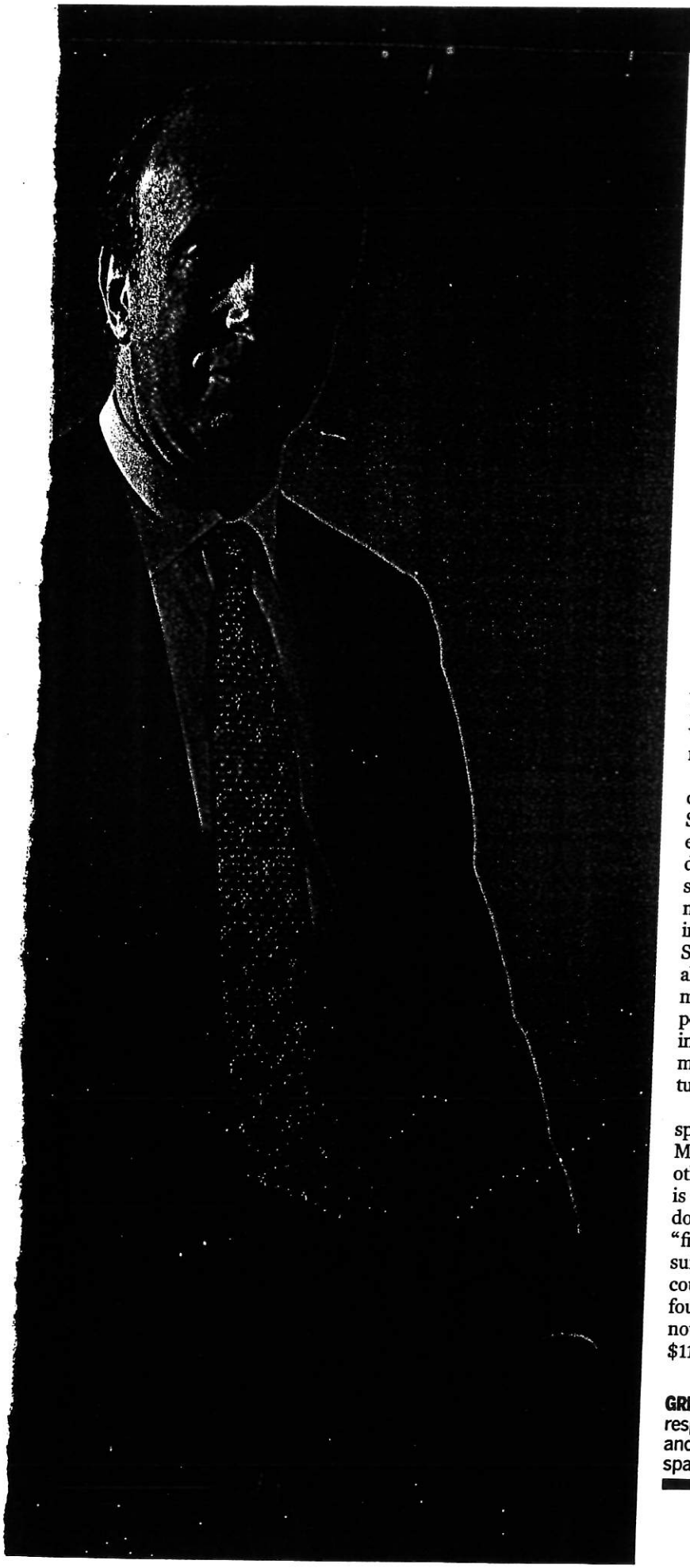
COUNTY	EFFECTIVE DATE	PREMIUM	NUMBER of CLAIMS YTD				TOTAL PAID	TOTAL RESERVES	TOTAL INCURRED	LOSS RATIO
			Medical Only		Indemnity					
			Open	Closed	Open	Closed				
Carbon	1/1/2004	$90,781	3	10	2	0	$40,904	$4,437	$45,341	49.95%
Cache	7/1/2004	$34,560	6	5	1	0	$3,772	$9,467	$13,239	38.31%
Daggett	1/1/2004	$13,232	0	2	0	0	$105	$0	$105	0.79%
Duchesne	1/1/2004	$35,820	4	4	1	0	$11,677	$6,174	$17,851	49.84%
Emery	1/1/2004	$49,785	3	4	2	0	$16,070	$25,493	$41,563	83.48%
Garfield	1/1/2004	$22,047	1	5	0	0	$3,394	$1,860	$5,254	23.83%
Grand	1/1/2004	$25,504	1	5	0	0	$1,765	$16	$1,781	6.98%
Iron	1/1/2004	$62,704	1	15	1	0	$5,346	$4,500	$9,846	15.70%
Juab	1/1/2004	$23,557	4	1	0	0	$1,175	$6,537	$7,712	32.74%
Kane	1/1/2004	$10,547	0	1	0	0	$202	$0	$202	1.92%
Millard	1/1/2004	$54,271	1	7	1	0	$11,372	$2,050	$13,422	24.73%
Morgan	1/1/2004	$14,966	1	0	0	0	$0	$500	$500	3.34%
Piute	2/1/2004	$3,800	0	0	0	0	$0	$0	$0	0.00%
Rich	2/1/2004	$4,085	0	0	1	0	$693	$13,820	$14,513	355.28%
San Juan	1/1/2004	$26,820	4	15	3	0	$11,115	$4,132	$15,247	56.85%
Sanpete	1/1/2004	$21,096	0	3	0	0	$453	$0	$453	2.15%
Sevier	1/1/2004	$21,791	0	12	2	0	$29,930	$1,342	$31,272	143.51%
Uintah	1/1/2004	$80,020	0	22	1	0	$9,115	$6,909	$16,024	20.02%
Utah	4/1/2004	$126,850	10	29	4	0	$45,508	$13,864	$59,372	46.80%
Wayne	1/1/2004	$5,719	0	1	0	0	$140	$0	$140	2.45%
Weber	6/1/2004	$178,296	7	26	0	0	$8,397	$3,776	$12,173	6.83%
TOTALS	7/31/2004	$906,251	46	167	19	0	$201,133	$104,877	$306,010	33.77%

SECRET WORLD OF MARSH & MCLENNAN

CEO Jeff Greenberg presides over the arrogant and tight-lipped culture of Marsh & McLennan, where conflicts of interest abound. There's more trouble coming for the world's largest insurance broker.

BY MARCIA VICKERS





GREENBERG A slow response to problems and the culture that spawned them

MICHAEL LEWIS/CORBIS OUTLINE

WHEN JEFFREY W. GREENBERG took the helm of notoriously secretive Marsh & McLennan Cos. (MMC), a $12 billion financial-services company, on Nov. 18, 1999, analysts were happily buzzing that Greenberg was a gregarious, outgoing executive. The word on Wall Street was that he would raise the profile of Marsh Mac with more public appearances and open communication than his tightlipped predecessor A.J.C. "Ian" Smith.

They couldn't have been more wrong. In the past four years, Greenberg sightings have been scarce. The company, true to its secretive history, became even more cloistered. But on Oct. 14, Marsh & McLennan was forced into a harsh public spotlight when New York Attorney General Eliot Spitzer charged its insurance brokerage with fraud. In a civil complaint filed in New York State Supreme Court, Spitzer alleges that the company engaged in bid-rigging, price-fixing, and accepting payoffs from insurance companies.

Marsh & McLennan, the world's largest insurance broker, is paid millions annually to manage clients' risks and crises. Now it's having epic problems of the same nature itself. In a three-month investigation, *BusinessWeek* spoke with some 50 former and current MMC employees, insurance industry executives, and investigators—and discovered that the firm's problems may well go far beyond Spitzer's initial charges.

BusinessWeek has learned that MMC and its executives could face a raft of further legal and regulatory problems. Spitzer's office is mulling criminal charges against several execs connected with the insurance brokering scandal. It is also looking into whether Mercer, MMC's pension-consulting arm, and Putnam Investments, MMC's mutual-fund company, push clients into buying Marsh insurance products. As part of an industrywide sweep, the Securities & Exchange Commission is probing Mercer's alleged "pay to play" practices of requiring payoffs from money managers who want it to recommend them to pension clients. At the same time regulators are examining payments Putnam and other mutual-fund outfits make to companies to ensure that their funds are featured in corporate 401(k) plans.

As if that's not enough, several class actions have sprung up—at least one regarding the alleged fraud at Marsh Inc., as the insurance brokerage is known, and others involving Putnam. Already, the legal onslaught is taking a toll. On Oct. 19, Moody's Investors Service downgraded the firm's debt, citing concerns about "financial consequences" arising from Spitzer's lawsuit. And fear that some of MMC's revenue streams could dry up has knocked down its share price. In the four trading days following Spitzer's Oct. 14 announcement, the stock plummeted 48%, wiping out $11.5 billion in market cap.

At the center of the storm stands Jeff Greenberg, 53. If you ask almost anyone about him, you'll hear that he is smart as a whip, incredibly knowledgeable about the in-

"If you eliminate all the questionable payments... you eliminate half of their profits," says a former Marsh Mac exec

rance business, well-spoken, and polished. Much like his fa-er, Maurice R. "Hank" Greenberg, 79, the legendarily hard-arging chairman and CEO of insurer American Internation- Group Inc., he has a history of being opportunistic when it mes to scoring profits for his company. Even now, his de-nders insist that he inherited serious problems, particularly in e brokerage and mutual funds businesses, when he moved to the top slot.

Yet Greenberg has been slow to tackle the problems and re-ctant to change the arrogant culture in which they festered. is company has a business model of aggressively cross-sell-g the products of its various divisions, which, say former and rrent employees and investigators, can lead to serious con-cts of interest. The potential for new conflicts rose as Green-rg pursued a policy of growth by acquisition. Add the tough ancial goals that Greenberg sets for nior managers, and the pressure to nd the rules grows. An MMC okeswoman disagrees: "MMC has storically served clients with a wide ray of services and products. We find we serve clients well, financial goals are met."

SPITZER New York's activist Attorney General is mulling new charges

The firm's obsessive focus on secrecy helps keep any mis-eds under wraps, say the sources. "Some companies have a lture based on kickbacks and undisclosed financial arrange-ents, and their people are forced to remain silent about ongdoing," says Edward A.H. Siedle, a former Putnam com-ance director and SEC official who now heads the Center for vestment Management Investigations in Ocean Ridge, Fla., ich looks into pension fraud.

Why didn't Greenberg act more promptly? Some critics say he ems deaf to the swelling chorus of demands from regulators d the public for higher standards of behavior in the financial-services industry. In the early days of Spitzer's investigations, Greenberg dispatched General Counsel William L. Rosoff to meet the Attorney General. Rosoff behaved like a pit bull, says one attendee, and infuriated Spitzer with condescending remarks. "The leadership of that company is not a leadership I will talk to," Spitzer said later.

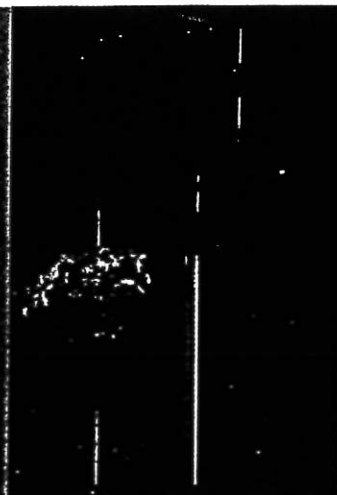
Several former top MMC honchos blame Greenberg's executive style. They say he is an indecisive leader and somewhat detached. He is a hands-off manager—as long as his staff make their numbers. Says one employee: "It's the kind of place where if you don't meet or exceed a goal, heads roll." Typically, Greenberg favors domineering division heads and gives them free

TROUBLES

NOVEMBER 1999
Greenberg becomes CEO of MMC. In May, 2000, he becomes chairman.

SEPTEMBER 11, 2001
Nearly 300 Marsh employees are killed in the World Trade Center attacks.

OCTOBER, 2003
Enforcers charge an MMC unit, Putnam Investments, with securities fraud, alleging that managers and others engaged in fair trading and market timing of its mutual funds. Late Putnam settles and pays a $[illegible] million fine.

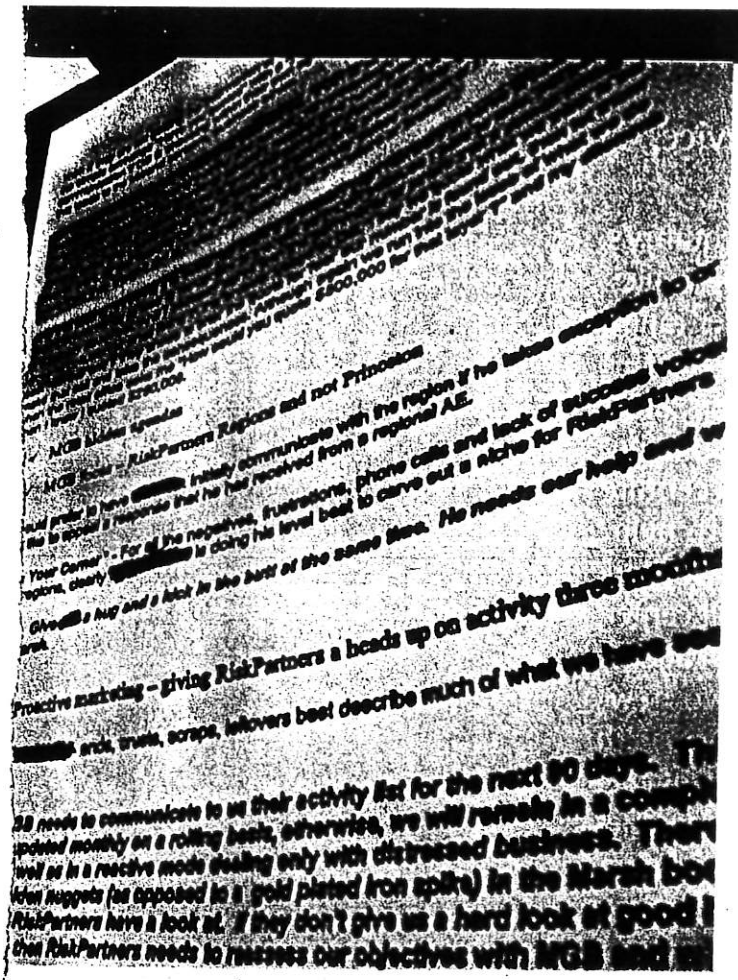


Nearly 300 employees were lost

NOVEMBER, 2003
Lawrence Lasser, an MMC director and longtime Putnam CEO, is forced to resign.

MARCH, 2004
The SEC starts investigating Mercer and other consultants for "pay to play" practices—forcing investment managers to pay fees to get Mercer's endorsement of them to pension funds.

MARCH, 2004
CalPERS and from other big pension funds force an



rein—until a problem occurs. Then he is quick to oust them. MMC says: "Greenberg's record in management changes and actions to resolve problems demonstrate the opposite."

The day after Spitzer announced his charges, MMC's board expressed full confidence in the CEO. That's no surprise: Greenberg chairs the board, which Nell Minow, editor and corporate governance expert at the Corporate Library, says is fiercely loyal and "rife with cronyism." Six of its 16 members are directly involved in running Marsh Mac or one of its subsidiaries, says Glass Lewis & Co., a San Francisco proxy-research firm.

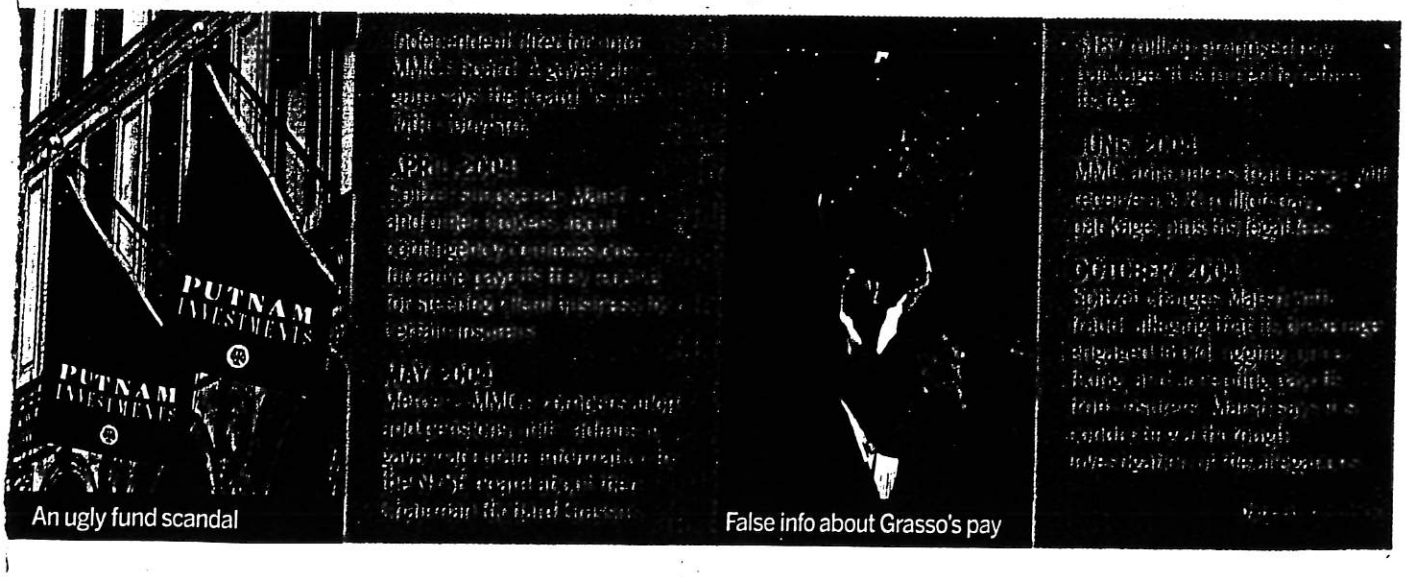
The board may be compelled to take action against top execs if enforcers now circling the company are able to force fundamental changes in the way it does business. Analysts and other experts say that could damage the company's financial health. "If you eliminate all the questionable payments at Marsh & McLennan, you eliminate half of their profits," says a former executive. Spitzer's complaint says contingent commissions—lucrative payments Marsh receives for steering unsuspecting clients to certain insurers—alone amount to $800 million a year, or about half the insurance brokers' 2003 net income. Says Ronald W. Frank, a Smith Barney analyst: "One of the risks to Marsh isn't just possible fines but the fact that a significant component of its compensation is being brought into question."

BusinessWeek requested several interviews with Greenberg but was repeatedly told: "Mr. Greenberg does not speak to the press." Understandably, companies are reluctant to comment on ongoing investigations. A company spokeswoman says, "Marsh & McLennan is a company that neither condones nor tolerates wrongdoing and takes forceful action when such issues arise." The company said it has voluntarily suspended the contingent fee payments. Until the latest scandal, Greenberg and others in the industry have staunchly defended the fees. They say brokers go beyond the call of duty for their clients, by, for example, creating custom policies or collecting premiums. On a July conference call with analysts, Greenberg said: "We provide services for which we expect compensation. We don't spend a lot of time worrying about it."

"Throwing the Quote"

PERHAPS WILLIAM GILMAN, Marsh Global Broking's executive director of marketing and a managing director, was doing the worrying. Gilman, in his 60s, is a larger-than-life character who some call Kill Bill, after the Quentin Tarantino movies. The nickname could also have something to do with an internal AIG memo about bidding for business that was an exhibit in the Spitzer case: "Per W. Gilman—get to right number [regarding a bid] or 'we'll kill you.'" Says a former colleague: "He's the kind of guy who stubs a cigarette out in your coffee cup."

Gilman, says Spitzer's complaints, strictly enforced the system of rigged bids and payoffs from insurers. He also rated insurers by how much they paid Marsh in contingent commissions. A September, 2003, e-mail from his office released by Spitzer reads: "We need to place our business in 2004 with those that...pay us the most." A source close to the investigation



An ugly fund scandal

False info about Grasso's pay

» Dealing with Gilman, you learned "Billy's Rules." No. 2: Don't get stupid—never question Marsh's schemes

told *BusinessWeek* that Gilman will likely face criminal charges. Gilman did not return several calls. On Oct. 19, MMC suspended Gilman and four others.

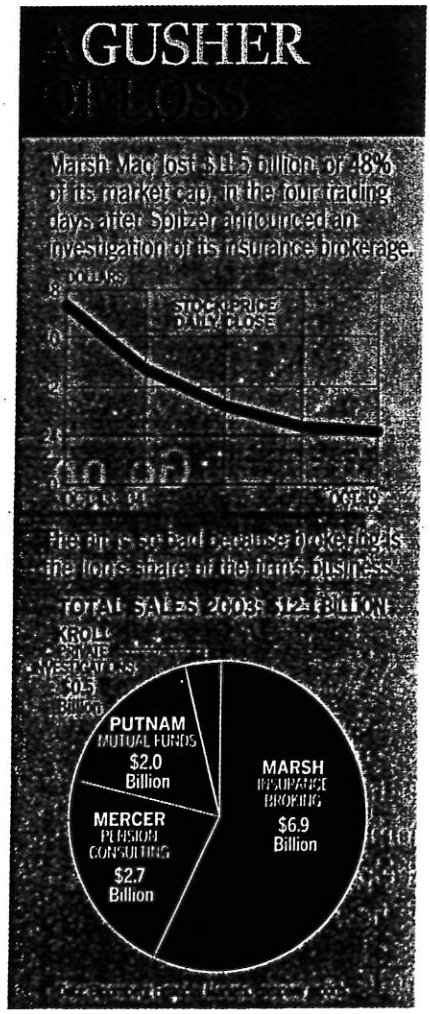
Folks dealing with Marsh were supposed to abide by "Billy's Rules"—a playbook Gilman devised for insurers, according to someone familiar with the company. The rules were: 1) No "no's" (meaning Gilman should never be told "no" about any predetermined Marsh arrangement). 2) Don't get stupid (never question Marsh's schemes). 3) If you get stupid, we will broom your ass. 4) Never think you own your business, you only rent your business. Marsh owns your business. "Billy's Rules," emblazoned on an office plaque, hung in Gilman's office.

Gilman, according to the complaint, oversaw Marsh's "throwing-the-quote" scheme, whereby some insurers were told to quote artificially high bids for business. Several times, Gilman refused to allow AIG to relay competitive bids to clients, according to Spitzer's complaint, warning AIG that "it would lose its entire book of business with Marsh" if it didn't provide higher price quotes than the insurer Marsh favored. The phony quotes were often referred to as "throwaway quotes," "protective quotes," "backup quotes," or "B quotes," says the complaint. In return, according to Spitzer, Marsh protected AIG and other firms that played ball when it was their turn to win. AIG declined to comment.

Gilman also staged what he called "drive-bys"—in which insurers were asked to attend presentations for prospective clients even when they knew they had no chance of snagging the deal, according to Spitzer. A regional manager for Munich-American RiskPartners, a division of American Reinsurance, who was so frustrated by constant requests from Marsh for "live bodies" to attend drive-bys that he wrote in an all-caps e-mail: "We don't have the staff to attend meetings just for the sake of being a body. While you may need a live body, we need a live opportunity."

Gilman may have enjoyed such power because Marsh already dominated insurance brokering. By the late '90s, Marsh had cornered 40% of the global business thanks to aggressive acquisitions. Marsh's grip tightened when it centralized control of broking activities in New York. Analysts say Marsh's dominance allows it to control pricing, the way insurance products are structured, and how premiums and payouts are disbursed. "They have both their clients and insurers by the *cojones*," says a competitor.

But now it's MMC's top brass who are squirming. Being in the spotlight is highly uncomfortable for MMC—long known as a patrician, white-shoe firm with an air so understated and secretive that at least one former exec likened it to working at the CIA. Its ranks have included Ambassador L. Paul Bremer III, former Presidential Envoy to Iraq, who recently ran MMC's crisis-consulting business; Stephen Friedman, President George W. Bush's top economic adviser and former Goldman, Sachs & Co. co-chairman, who was an MMC senior principal; Craig Stapleton, the husband of George W. Bush's cousin Dorothy, who was an MMC president; and Lord Lang of Monkton, a former British Member of Parliament who still sits on the board. Many Marsh and Putnam execs summer by the sea in ultra-wealthy and clubby Watch Hill, R.I.



"I'd Love to Talk...But"

MMC CERTAINLY GOES TO extraordinary lengths to ensure loyalty. A former Putnam executive recalls being grilled by a company psychiatrist in a hotel room for hours during a job interview. Says the former exec: "Everyone has a Dr. [James] Terry story. He would ask questions like: 'What's the worst thing that ever happened to you?' 'What are your views on religion?' 'Who do you vote for?' They tell you they're looking for any signs of malfeasance or criminality. But they're also looking for people who will fit in, lockstep, at the company." An MMC spokeswoman claims that using a psychiatrist for screening purposes is "industry practice." Terry could not be reached for comment.

Once they're in, most people who join MMC's upper echelons must sign binding noncompete agreements, say both current and former employees. "Each time you exercise stock options, you have to sign a new one," says one former exec. MMC calls this, "a generally accepted practice." Employees who leave MMC and then disparage it in public risk losing any deferred compensation to which they are entitled. One former MMC exec told *BusinessWeek*: "Gee, I'd love to talk to you. There's a lot to say. But they've got my money."

Since moving to rival broker Willis Group Holdings Ltd., a former Marsh exec says he has been spied on by a private investigator who he suspects was Kroll Inc., which MMC bought in July for $1.9 billion. He says he believes MMC wants to ensure that former employees are not using its proprietary information. MMC would not comment without specific details. Another former exec says MMC constantly monitored internal phone calls. MMC says it is unaware of this.

At the start of 2004, insiders say, MMC managers were forced to sign new noncompete agreements. At least two longtime MMC execs left as a result, they say. "The feeling was, I've never disparaged the company and I've been loyal all these years. And you're making me sign another one of these?" says one.

ALBERTO MENA/BW

The changes, say former execs, were designed to stem a rising tide of defections by its brokers to smaller rivals who they say treat clients more fairly. Over the past year, MMC has been embroiled in a nasty lawsuit with Palmer & Cay, a Savannah (Ga.) insurance broker whose president, James B. Meathe, is Marsh's former Midwest chief. In documents filed in Michigan's Wayne County Circuit Court in September, 2003, MMC alleged that P&C set out to induce some 70 "key Marsh employees to resign" and "violate their noncompete agreements" to join P&C, which P&C denied. Robert Cleary, a lawyer representing P&C declined comment. Sources familiar with the suit say Marsh has used tough tactics, with one Marsh board member telling P&C: "We're going to bury you." MMC declined comment.

Such behavior seems at odds with Greenberg's impeccable pedigree. After graduating from upper-crust Connecticut boarding school Choate, Greenberg headed to Brown University, where he graduated with honors. He then earned a J.D. degree at Georgetown University's law school. Greenberg sits on a number of prestigious nonprofit boards, including the New York Stock Exchange. He's a trustee of the Brookings Institution and a member of the Trilateral Commission—an organization David Rockefeller founded in 1973 that consists of the world's top political and business leaders.

He and his second wife Kimberly have four children. According to friends, they lead a relatively quiet Manhattan life with little of the ostentation that often accompanies the CEO lifestyle despite the $22 million Greenberg took home last year. The family has a spacious but understated apartment on Park Avenue and a weekend house in Lakeville, Conn. With his tall and muscular physique, friends say, he plays a mean game of tennis. Steven Rattner, managing principal at private investment firm Quadrangle Group LLC (page 90) who serves as a Brown trustee with Greenberg, says: "Jeff's a real stand-up guy. He's thoughtful, committed, and always does what he says he's going to do." Veteran journalist Nikki Finke, who was married to Greenberg in the early 1980s, says he was never a spoiled rich kid. During high school he pumped gas and cleaned boats.

And despite the unfolding scandals, most industry players still seem to respect Greenberg. He certainly got high marks in his early days as MMC CEO for his handling of the aftermath of the September 11 World Trade Center attacks. Three years earlier, Marsh had leased floors 93 to 100 in Tower One, and 294 MMC employees—mostly salesmen, secretaries, and analysts in their 20s and 30s—lost their lives after the first airplane hit. At services, Greenberg spoke movingly about the makeshift memorial that had occupied an entire wall next to the cafeteria at MMC's Sixth Avenue headquarters.

FORTRESS Marsh's obsessive focus on secrecy is instilled in its staff early and often

After Andrew

STILL, JUST DAYS after September 11, Greenberg and top MMC execs met to figure out how to profit from the disaster. They formed a subsidiary—Axis Specialty Ltd.—to sell insurance to corporate customers at three or four times the rates before September 11. MMC says that it was merely "meeting market demands."

For some industry players the move recalled what Greenberg did in 1992 after Hurricane Andrew slammed into South Florida and wiped out some $15 billion worth of property. Jeff, who was working for dad at AIG, sent out an internal memo stating: "This is an opportunity to get price increases now." It was leaked to the press, which had a field day—with one newspaper branding him "a vulture." The memo moved Ralph Nader to complain and Florida regulators to freeze rates. People close to Jeff say he was humiliated by the incident. "That's a major reason why he avoids the press these days," says one.

Greenberg's ambition has been fueled by father Hank. Says ex-wife Finke: "Jeff was always terrified of his father. He was deeply insecure and wanted his approval." "Hammerin' Hank" is known for his cantankerous, rough-and-tumble demeanor. "Hank was known for calling up his lieutenants on weekends and holidays and bawling them out," says a former executive.

When Jeff was working under his father in the early '90s, heading up AIG's domestic brokerage group, Marsh sources say Hank raked him over the coals at a meeting in front of top executives. Hank, they say, had ordered Jeff to deal with a personnel issue, but Jeff had dragged his feet. Says one: "Hank started yelling at Jeff in front of everyone: 'You either fix your management problem, or I'll fix mine!'" But the *coup de grace* came in 1995 when Hank abruptly promoted Jeff's younger, less experienced brother Evan, making them equals in AIG's hierarchy. Two weeks later, Jeff left.

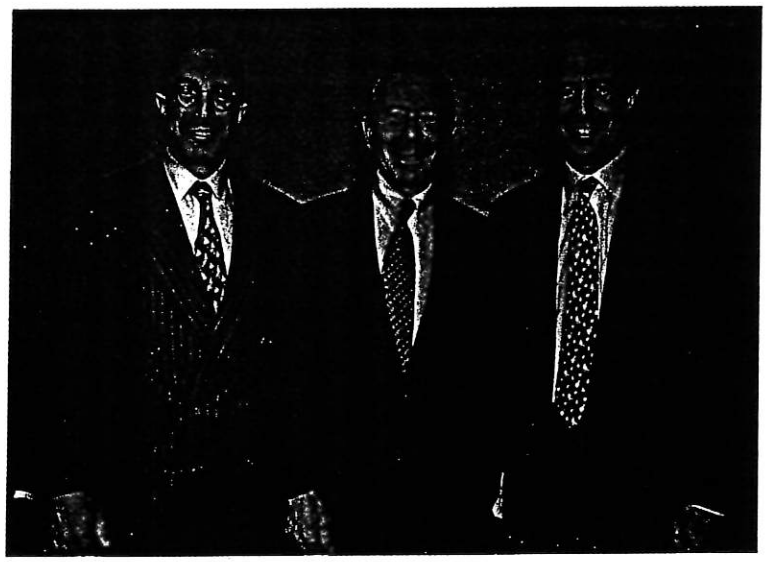
Evan, 49, is a college dropout and nonconformist who, by his

JENNIFER S. ALTMAN

» After the scandal, Greenberg moved too slowly, says a Putnam exec, hurting the firm's reputation

own admission, had a bit of a troubled youth. But he had a knack for the insurance business and rose quickly at AIG. Unlike Jeff, Evan is one of the few people who stand up to his father. "Evan's scrappy—a yeller," says an insurance industry veteran. "I think Hank could somehow relate to him better than Jeff." But in 2000, Evan also resigned from AIG. He now heads Ace Ltd., a Bermuda company named in Spitzer's complaint—along with AIG—as one of those involved in Marsh's alleged bid-rigging and price-fixing schemes.

Months after exiting AIG, Jeff landed at Marsh & McLennan, where he had worked as a broker in the mid-'70s. As a partner in MMC Capital, the firm's risk-capital unit, he excelled at building MMC's Trident Funds, which invested billions in various insurance entities and real estate, and hoisted himself onto the fast track. He was determined "to show up his dad and brother," says a source familiar with the family.



FAMILY PORTRAIT Brothers Evan (left) and Jeff (right), with father Hank

At Marsh Mac, Jeff was able to take advantage of the Greenberg name: Then-CEO and Chairman Smith—an old acquaintance of Hank's—was Jeff's personal mentor. Jeff was named chairman and chief executive of MMC Capital in 1996. By the beginning of 1999, he had been promoted to president of Marsh & McClennan. And by the end of that year, he was CEO. He was elected chairman in May, 2000.

Even if Greenberg did inherit the Marsh Mac mess, he's under fire for how he handled it. "Despite seeming like a hero for ousting [former Putnam CEO Lawrence J.] Lasser and moving toward cleaning up Putnam, the truth is, Greenberg didn't address things until he absolutely had to," says a former colleague. In November, 2003, after Putnam was slapped with a securities-fraud charge, longtime CEO Lasser, 61, was forced to resign. Regulators alleged that company brass had been aware of illegal trading in Putnam funds since 2000.

Problem was, the autocratic Lasser had already built an empire that accounted for half of MMC's revenues when Greenberg took over. "Lasser basically created his own little fiefdom and allowed no one in," says Mercer E. Bullard, president and founder of Fund Democracy, an advocacy group, and a securities law professor at the University of Mississippi. But after the 2000 market crash, some MMC execs say Greenberg should have swooped in and taken control. Says a former Putnam exec: "[Jeff's] delaying tactic cost Putnam its reputation." Insiders say Charles E. Haldeman, who took over as Putnam's CEO last November, was angry at Greenberg for dragging his feet. Haldeman declined to comment.

A Frustrating Process

IN THE PAST YEAR, PUTNAM has lost some $70 billion in assets. Recently, several pension funds, including CalPERS, the California Public Employees' Retirement System, agreed to let Putnam compete for its business, but with stipulations: Putnam must consider pruning executive pay and ramp up financial disclosure. "That's a huge positive move for corporate governance," says Minow.

But governance gurus still aren't happy with MMC or Greenberg. The Corporate Library says the company still awards its execs excessive compensation. In 2003 it paid an aggregate $60 million to its top five officers, vs. an average $21 million at other large financial companies, according to Glass Lewis. MMC says: "Our independent directors and outside consultants set compensation." This past year, several large pension funds joined forces to propel an independent director, Zachary W. Carter, a lawyer, onto the board. Richard Ferlauto, director of pension and benefit policy at the American Federation of State, County & Municipal Employees, says it was a slow-moving and frustrating process: "Jeff thought he knew what was right, and he wasn't going to let anyone rock the boat." Carter didn't respond to numerous interview requests.

Earlier this year Greenberg asked mentor Smith, 69, to come out of retirement to help him. Insiders say Greenberg was intimidated by Lasser and needed Smith to negotiate with the former Putnam CEO. Smith, who has an office close to Greenberg's, was named chairman of Putnam. Greenberg also promoted Steven Spiegel, Lasser's right-hand man, to vice-chairman of Putnam. Says Bullard: "Although Haldeman has taken control and is doing a great job, it doesn't change the fact that a lot of bad stuff happened under Smith and Spiegel."

Some of the bad stuff may have had to do with Putnam funds being pushed by Mercer, Marsh Mac's pension-consulting arm. Mercer was long considered a sleepy, less profitable outpost of the Marsh kingdom. Then, say insiders, in the mid-'90s it came under pressure to turn bigger profits. That's when it started offering pricey conferences for money managers at $50,000 to $60,000 a pop. "If you don't attend those, it's nearly impossible to get on Mercer's list to manage pension money," says Jack Silver, a former trustee at Chicago's teachers' pension fund. MMC denies this. The SEC is investigating these allegations. And Spitzer will likely look into whether Putnam pushes Marsh-brokered variable annuity

products onto investors. "There's no disclosure about this conflict to Putnam clients," says Selva Ozelli, a securities lawyer close to the investigation. There could also be an investigation into how Marsh, allegedly slow to pay out premiums, profits from the float.

That means deepening troubles for Greenberg, who some critics say has done far too little to shore up MMC's reputation over the past year. "Print it, post it, and pray—it seems as if that's all Greenberg's done when it comes to ethics," says Patrick McGurn, special counsel at Institutional Shareholder Services Inc., a corporate governance consultant. Until now, say analysts, Greenberg's main focus has been on acquiring more companies. Now he's forced to deal with spreading legal woes and a public-relations nightmare. Says David D. Brown IV, Spitzer's investment protection chief: "We're really just at the beginning here. We're pursuing a number of leads and will follow them where they take us."

In an Oct. 15 press release Greenberg announced that MMC was appointing a private investigator to look into the alleged insurance broker fraud. It's a move some might have applauded, except for one thing: He gave the job to the head of MMC's Kroll—who's now the head of Marsh. ■

COMMENTARY

BY DIANE BRADY

A Crazy Quilt of Rules

Why insurance regs need national standards

ELIOT SPITZER HAS done it again. When he filed suit on Oct. 14 against some of the biggest players in the insurance industry, he not only alleged fraud. The New York State Attorney General also uncovered yet another massive hole in financial regulation—not to mention widespread complacency among regulators. Now another corner of the finance industry must rewrite its rules as companies renounce practices that got them into trouble.

But fixing insurance regulation is far beyond Spitzer's bailiwick. The system is a mess. Washington has struggled to get a grip over the industry, leaving each state to protect insurance in its own way. That means 50 state insurance commissioners, 50 sets of laws, and 50 different sets of rules. In some states legislators, bowing to powerful pressure, have regulated personal insurance so tightly that they companies will do business there. In others, lawmakers have been swayed by the commercial insurance industry's lobbying power that they have never banned such dubious practices as contingency commissions. And in some states the revolving door never stops spinning as commissioners quit to head up insurers, and vice versa.

Today's system was forged in the 19th century, when the states took the lead in regulating everything from railroads to utilities while Washington stayed out of the sidelines. These days, the patchwork regulation results in massive overlap, byzantine policies, and idiosyncratic procedures. Nevada has insisted that some documents be filed on pink paper. Wisconsin is infamous for asking companies to hand-write a slash through every zero on paper forms filed with the state. New York's finance-the approval process can delay new insurance products by many months.

Insurers, sick of the cost and hassle of complying with 50 state regulators, have long lobbied Washington to wrest some authority away from the states. But state commissioners, backed by their hometown members of Congress, often beat back the effort. Says Julie Rochman of the American Insurance Assn.: "While the rest of the financial-services sector has been modernized, insurance has been left behind."

What's needed is a streamlined set of national standards. That would cut costs for insurers and their customers and free up state authorities to focus on issues that matter: protecting consumers from fraud, and making sure insurers are financially sound and obey the law.

A new congressional bill dubbed SMART, for State Modernization & Regulatory Transparency, might achieve this. Crafted by Representative Richard Baker (R-La.), the proposal would require states to adopt common standards, accelerate the process for getting products to market, and end state approvals of premium rates. There wouldn't be a national regulator, but SMART calls for a seven-person board of state and federal officials to help arbitrate disputes among insurers and regulators and to address thorny regulatory issues.

"Our goal is a system that enhances competition and accountability," says Baker.

Some argue that the status quo is fine. Says California Insurance Commissioner John Garamendi: "The more regulators you have, the better the opportunity to find a problem." Maybe so, but it took an outsider—Spitzer—to get action. It's time for states to stop saddling a global industry with a regulatory system dating back to the era of the iron horse. ■

With Amy Borrus in Washington

BOTH SIDES, NOW Baker's bill would establish a state-federal board

ROBERT TRIPPETT/SIPA PRESS

Why Insurance Needs a Cleanup

WE HATE MOST REGULATION. But even more, we hate corrupt, unethical business people and professionals who bring it down upon us. Bid-rigging, price-fixing and payoffs—the charges leveled against Marsh & McLennan Cos. and some of the nation's largest insurance companies by New York Attorney General Eliot Spitzer—are not only civil offenses, they are crimes against capitalism. They prevent competition, erode market efficiency, and raise costs. They destroy public trust by hindering transparency and the free flow of information. The egregious behavior of people who game markets, create conflicts of interest, and deceive shareholders inevitably invite government regulation. Ironically, it is Corporate America that is the greatest victim of the insurance scandal now unfolding. Chief executives should not hesitate to support New York and other state regulatory agencies in cleaning up the insurance markets.

They should also throw their support behind efforts to create a national standard for insurance practices. Unlike banks and the rest of the financial system, insurance is not regulated by Washington but by 50 state insurance commissioners under 50 sets of laws and 50 sets of rates. A congressional bill, dubbed SMART for State Modernization & Regulatory Transparency, could provide uniform standards.

But that isn't nearly enough. A three-month investigatio by *BusinessWeek* into Marsh & McLennan reveals a secretiv arrogant corporate culture, largely hidden from public and client view (page 71). A business model based on alleged conflicts of interest, such as steering unsuspecting clients (who pay Marsh for best prices and policies) to certain insurance companies (who pay Marsh to g business), appears to have generated much of the insuranc broker's 2003 earnings. Spitzer also probing Marsh McLennan's pension-consulting arm, Mercer to see if it pushes clients into buying Marsh McLennan insurance products. The Securities & Exchange Commissic is investigating Mercer's practice of requiring payments from money managers who want to be recommended to pension clients. The SEC is also looking into whether executives at Putnam Investments, Marsh McLennan's mutual fund company, made payments to companies to ha its funds featured in 401(k) plans. These suggest a corrupted corporate culture that requires change at the top

Marsh took payoffs for steering clients to insurers, Spitzer says

In response to the Spitzer charges, CEO Jeffrey W. Greenberg announced that he was appointing a private investigator to look into the alleged insurance broker fraud. He gave the job to the head of Kroll Inc., owned by none oth than Marsh & McLennan itself. The very same day, Greenbe appointed the same man as the head of Marsh, the insuranc brokerage unit. It's time for a new CEO.

The Stalling of Motor City

WHERE IS DETROIT? The last time energy prices shot up unexpectedly, in the 1970s, it was Japan that led the way with profitable, fuel-efficient small cars. Detroit never did figure out how to make them and chose, instead, to make big profits off low-mileage, gas-guzzling SUVs. Now, oil futures are predicting high-priced gas for years to come, and Japan is again out front with innovative vehicles—fuel-efficient, electric-gas hybrids.

When will Detroit learn? Certainly Ford gets it. It has a hybrid on sale right now, the crossover Escape SUV (based partly on Toyota Motor Corp.'s hybrid engine technology), and plans to sell about 45,000 over this year. But neither General Motors Corp. nor DaimlerChrysler Corp. will introduce a sing hybrid any time soon and their offerings will be slim for years to come. In the meantime, Toyota and Honda Motor Co. are starting to flood the zone with tens of thousands of different hybrids. The Prius is hot, and Toyota will soon bring out a hybrid version of its Lexus RX and Highlander SUVs. Honda will launch a hybrid version of its popular Accord in Decembe Booz Allen Hamilton Inc. estimates that hybrids could make u 20% of the entire U.S. market by 2010. Detroit argues that you can't have mileage efficiency without giving up performance and luxury. Japan is proving just the opposite. Toyota's Lexus RX will have 270-plus horsepower and better than 27.6 mpg—the current average of a compact sedan (pages 40 and 114).

Detroit is way behind because it hasn't invested. True, it has enormous legacy costs from retired workers and huge benefit costs from current employees. But managerial shortsightedness is what's hurting the industry most. The Japanese are on their third generation of hybrid-powered cars. Detroit is barely on its first. As production is ramped up costs will fall and profits will rise. Hybrids are a technologic breakthrough for the Japanese. Unless Detroit invests in innovation, it risks falling behind once again. How sad.

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Just how rotten? - The insurance scandal;
The insurance scandal

london, new york and paris

An insurance scandal comes to light

The insurance industry is the latest financial sector to have its darkest secrets exposed to the light

FIRST came investment banking; then mutual funds; now the insurance industry is mired in scandal, the latest target of Eliot Spitzer, New York's formidable attorney-general. On October 14th he filed civil charges against Marsh & McLennan, the world's biggest insurance broker, and announced settlements of criminal charges with two employees at AIG, the world's biggest insurer, and one at ACE, a big property-casualty insurer. The charges are part of an ongoing investigation into industry practices that suggest insurers and brokers have acted collectively (and secretly) to betray customers. An added twist is that the three main companies so far involved are led by members of the Greenberg family: Hank Greenberg is the legendary boss of AIG; his eldest son Jeffrey runs Marsh; and his younger son Evan is in charge at ACE. A business often thought to lack personality and drama is now suffering from an abundance of both.

Mr Spitzer's civil complaint against Marsh, filed in New York state's Supreme Court, alleges much misbehaviour, including fake bids, collusion, improper steering of business, payments by insurers to avoid solicitation of competing quotes, and outright threats against those resisting participation in the fraudulent schemes. Marsh acted, in short, less like a broker with a fiduciary obligation to its clients than as the linchpin of a racket. Proof for the existing charges, Mr Spitzer contends, is "rock solid". Given the strength of the evidence and the seriousness of the infractions, the main legal conundrum he faced was whether he should file criminal rather than civil charges.

His leniency will be of only marginal solace for the industry. Mr Spitzer says his investigation into insurance continues to expand, with the only certainty being that he will bring more charges against more people and more companies. So far only two segments of the vast insurance industry have been implicated—the mid-sized sector and so-called excess liability insurance (ie, the umbrella policies companies buy to top off their core coverage), both prime territory for brokers.

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But that looks certain to change. Mr Spitzer is said to like cases that champion the average person, and he is going after general insurers too. Subpoenas from his office demanding information were reported to have been received this week by Aetna and Cigna (health insurance), MetLife (life insurance), and UnumProvident (disability). Shortly after the complaint against Marsh was disclosed, Aon, the second-largest brokerage firm, put out a statement that only a lawyer could find reassuring: the actions described in the complaint would have violated its own policies and "to the best of our knowledge" were not present at Aon. Mr Spitzer's office quickly indicated that Aon is being examined with particular interest.

And Mr Spitzer is not the industry's only legal threat. On October 19th and 20th Connecticut's attorney-general sent out dozens of subpoenas to insurers operating in the state in the health, auto and employee-benefit sectors. In May he began investigating claims of widespread price-rigging and kick-backs. California began its own investigation of insurers and insurance brokers this spring. John Garamendi, the state's insurance commissioner, says he will soon bring civil charges against a number of companies, as well as introducing new rules to improve disclosure. Meanwhile, a barrage of private lawsuits has been filed in New York's federal district court, most of them against Marsh for misleading investors.

The embarrassment felt by the insurance industry is acute. But how did the problems arise? Few people outside the industry understand either its structure or how it has evolved in recent years. Essentially brokers are classic middlemen. They stand between companies that want to buy insurance and the insurers that sell it, taking a commission for services rendered. But the broker's job is no longer one of simply finding the lowest price. These days brokers help companies to prepare complex evaluations of their insurance needs, often in many different countries. That task requires knowledge of the insurance providers in each local market, but also a good understanding of local risks. Companies' proposals and risk assessments are used by insurers in making their bids; indeed, without the help of a broker many large companies would be unable to solicit meaningful offers from the big insurers. In effect, brokers serve as corporate advisers and form an important distribution channel for insurers. Since the brokers work for both sides, they have, increasingly, been paid commissions by both.

In their defence, brokers say these arrangements are disclosed to clients, and that, with adequate disclosure, the system can work. Yet disclosure is often vague, at best, and the potential conflicts are glaring. Indeed, Mr Spitzer has revealed what amounts to gross abuse of the pricing system. Insurers have been offering incentives to brokers in the form of so-called "contingent commissions"—money paid only if the broker places a certain amount of business with a particular insurer.

Such commissions are generally calculated by the volume of business sent by a broker to an insurer—the more the better, regardless of whether it is in clients' interests. Less commonly, the commissions are based on the insurer's profits. But that can also harm customers, because a broker might choose not to push for a legitimate claim that will reduce the insurer's profits.

In the past some lawsuits have stemmed from these arrangements, notably a big case against Marsh and Aon in 2000. After a settlement, the testimony, evidence and disposition were subjected to a strict gag order, a common outcome in insurance cases. But legal momentum against contingent commissions has been building. The crucial breakthrough in Mr Spitzer's investigation appears to have been the emergence during the past month of telling e-mails. According to the complaint, Marsh threatened to "kill" one insurance company if it did not provide sufficient commissions. ACE was told by Marsh that receiving more business would require the payment of "above market" commissions to Marsh (as opposed to lower rates to Marsh's clients).

Further, Marsh executives were rewarded for moving business to insurers paying high commissions and penalised when they did not. In one of the most egregious moves, Marsh reached a deal that linked the size of its contingent commission to AIG's ability to maintain prices on policy renewals. "Marsh is secretly raising the price of insurance for its clients and putting at least some of the increase into its own pocket," says the complaint.

As bad as this may seem, the most damning allegation is that Marsh took its desire to steer business to insurers one step further and actually rigged bids. The complaint describes a series of schemes whereby AIG would submit an uncompetitive "B Quote" against a rival's bid at a rate suggested by Marsh. Marsh would then show its customer what were apparently competing quotes, knowing that invariably the rival's cheaper quote would be accepted and that it would later

pocket a contingent commission. In return, AIG would be allowed to win business in the future on similar terms.

Mr Spitzer cites a specific example of ACE making a bid more costly at Marsh's direction to allow AIG to provide the low offer on renewal of a policy with Fortune Brands, an American conglomerate. The Hartford, another American insurance giant, went along with similar schemes, according to the complaint, "because Marsh was its biggest broker, and it felt that Marsh would limit its business opportunities if it refused." Munich-American RiskPartners, the American subsidiary of Munich Re, was asked so frequently by Marsh for a "live body" to attend client presentations for the sake of appearing to provide competition that a manager sent a message to Marsh: "While you may need 'a live body', we need a 'live opportunity'." In an internal memo, a Munich-American manager characterised quoting artificially high quotes as "basically dishonest" and "awfully close to collusion or price fixing."

After the charges were announced, shares of ACE and AIG fell by more than 10% and Marsh's by more than one-third (see chart 2). Tellingly, the share price of every other insurance company and broker fell as well. Marsh's market value has now halved, while AIG's is lower by $24 billion.

However, it is unlikely that any company will be driven out of business as a result of the scandal. Even Marsh might not be hit as badly as it may deserve. Typically, the risk departments of companies begin discussions about renewing their annual policies on September 1st, in order to allow for an orderly transfer at the end of the year. It may already be too late for them to go through the lengthy assessment and solicitation process with another broker. There is also a scarcity of choice. Consolidation has boiled down the number of truly global brokers to just three—Marsh, Aon and Willis. There could be a big shift if one of these were to be given a clean bill of health. In the meantime, Marsh, unlike an insurance company, faces no counterparty risk and thus should avoid the kind of fatal spiral that can hit a leveraged financial firm during a panic.

Whether Marsh survives in its current form, however, is another question. Mr Spitzer says Marsh's bosses have not been "sufficiently forthcoming, open or honest to persuade me that they are the appropriate leadership if this is to be a reformed company." Marsh's Putnam asset-management division was caught up in the mutual-fund scandal and its Mercer consulting unit is currently being investigated for its pension recommendations and also played a controversial role in the huge compensation package that was awarded to Richard Grasso, former boss of the New York Stock Exchange who is also being prosecuted by Mr Spitzer.

Presumably Marsh's board is gearing up to make big changes—Mr Spitzer says he will not settle charges with the current top team. Shrewdly, on October 15th Marsh appointed Michael Cherkasky as the group's new boss. He recently led Kroll, Marsh's corporate-investigation subsidiary, previously part-owned by AIG. In the distant past, Mr Cherkasky did a stint supervising a young Mr Spitzer in the Manhattan district-attorney's office.

But even if only some of today's top management survives, Marsh is badly bruised. It has suspended taking any contingent commissions, and revealed that these amounted to $845m last year, 7% of revenues but, more tellingly, one-third of its pre-tax profits. It might have to give all of that back. And anything short of a victory in court will trigger a large fine.

AIG has also been battered. The scandal comes on top of investigations by both the Securities and Exchange Commission and the Justice Department for work it did structuring off-balance-sheet entities for PNC Bank and possibly other companies as well. In a conference call with analysts, Mr Greenberg said the loss of contingent commissions would have no business consequences, but that seems naive coming from one so experienced. Losing access to a price-rigging cartel can surely only increase competition.

Inevitably, this will affect other insurers, putting structural pressure on prices just as cyclical factors suggest rates are softening. And still unclear is what sort of broad resolution Mr Spitzer might seek. In prior investigations, his style has been to use the threat of litigation to force through agreements that include lots of money, carefully scripted non-confessions of guilt, and widely trumpeted vows of reform. The results have often been disappointing. It is probably no coincidence that agreements with investment banks and mutual funds have resulted in money moving to less-regulated areas, namely private equity and hedge funds. Insurance more than perhaps any other industry is global, so an inappropriate move by Mr Spitzer would surely send business overseas.

But might the rot have already spread overseas? For the moment European insurers are on the periphery of the American scandal. Only Germany's Munich Re, the world's biggest reinsurer, and Zurich Financial Services, a Swiss insurer, were mentioned in Mr Spitzer's complaint and neither is accused of any wrongdoing.

Further, Europe does not have an equivalent of Mr Spitzer, and regulators in Europe are not currently intending to investigate relations between insurers and brokers. So only European insurers with a presence in America risk being directly involved in the scandal for the moment. Swiss Re writes 40% of its property and casualty business in America, although only 20% of these contracts are done via brokers. A similar portion of Zurich Financial Services' non-life policies are written in America, mostly directed through brokers.

All the same, European financial markets reacted nervously, and shares in Munich Re, Allianz and AXA all fell. The unknown factor is whether Europeans have also been corrupt. After all, the temptation facing brokers is the same everywhere. Like their American counterparts, European insurers pay brokers contingent commissions. Brokers also demand that insurers provide reinsurance work in exchange for referrals. Criticisms of these practices used to fall on deaf ears. "We consider contingency fees an aberration and we have been asking brokers since 1998 to abolish them," says Thierry van Santen, head of the Federation of European Risk Management Associations in Brussels.

German insurers claim they are not aware of any unsavoury practices at home. For one thing, the use of intermediaries is less common. In many cases Allianz, Europe's biggest insurer, and Munich Re deal directly with clients. Moreover, Lufthansa, Siemens and other big firms have in-house brokers, which are not conflicted. Even so, American brokers have made inroads in the German market in recent years. Today the country's biggest broker is Aon Jauch & Hübener, a subsidiary of Aon. It is followed by Marsh, which expanded in 1999 when it took over Gradmann & Holler, a broker in Stuttgart.

German brokers are not regulated by BaFin, the country's financial regulator, but rely on a consensus-based system of self-regulation. The VDVM, an association of German insurance brokers, recently developed an ethics code for its more than 570 members. It now wants to speed up the implementation of these guidelines.

In France insurers and brokers profess to be shocked by Mr Spitzer's discoveries. Leading French brokers such as Fimat claim they are more transparent about their fees than rivals in other countries. They are, at least in theory, regulated by an agency under the wings of the economics ministry. According to French insurance legislation, the agency "can" oversee brokers. In reality they look after themselves, much like their German colleagues. In 2001 they agreed their own code of conduct when one of their main trade unions jointly developed new guidelines with France's association of risk managers.

But brokers in France and Germany will soon lose some of their independence. The European Union's Insurance Mediation Directive aims to bring all parties involved in the sale of insurance under the jurisdiction of one national regulator. The directive comes into effect next January, although it is being resisted fiercely by insurance lobbyists, so it will take even longer than usual for member states to implement the law. One obvious hurdle is that France and Italy, among others, do not have a single financial regulator.

Mr Spitzer's charges have raised most alarm in Britain. As in America, the business there is dominated by a handful of brokers. Aon has 25% of the British market, and Marsh is also a leading broker. Britain has several good-sized insurance brokers of its own. Willis is headquartered in London; others include Jardine Lloyd Thompson (JLT) and Benfield, a reinsurance broker. Benfield does about 40% of its business in America and has been contacted by Mr Spitzer, but says it does not accept contingent commissions. JLT says such commissions account for just 2% of revenue. Though share prices in both companies dropped in the wake of Mr Spitzer's announcement, researchers at UBS, an investment bank, say that Marsh's stumble could mean more business for them. Justin Bates of Numis, an institutional broker, says Mr Spitzer's charges may stop both firms from being snapped up by the big three as insurance pricing softens.

Many people expect British regulators to launch their own investigation. But that will not happen immediately. The General Insurance Standards Council, the current regulator, says that it has no

interest in a "fishing expedition" in the absence of a complaint. It is more likely, then, that the Financial Services Authority (FSA), which takes over the regulation of insurance brokers next January, will follow up on Mr Spitzer's complaints.

Though the FSA says that it is "monitoring the situation", it has taken its cue from Mr Spitzer before on matters such as market-timing (a sin of mutual-fund managers) and investment banks' allocating of shares in hot initial public offerings to preferred clients. On both those counts, Britain has avoided the worst abuses (though there have been plenty of other financial-services scandals). The industry is cringing at the notion of the FSA demanding yet more information on top of the existing deluge of paperwork. But that might prove a small price to pay if the result is that it avoids the punishments facing American firms. The insurance industry's moment in the spotlight is far from over.

October 22, 2004

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UCIP

Utah Counties Insurance Pool

Serving Counties Since 1992

Covering Utah's Counties

ANNUAL MEETING of the MEMBERS

December 2, 2004 2:00-8:00p
Thanksgiving Point
3003 N. Thanksgiving Way, Lehi, UT

AGENDA		**2:00-5:30 Rose Room**
Call to Order	Welcome New Member	Dan McConkie
	Member Roll Call	Ira Hatch
	Introduction of Trustees	
	Introduction of Trustee Nominations	Jim Eardley
	Speeches by Nominees	
Reports	Audit Committee	Lynn Lemon
	Law Enforcement Committee	Ed Phillips
	Litigation Management Committee	Kent Sundberg
	Personnel Committee	Steve Baker
	Break	
	Loss Control Manager's	Mark Brady
	Workers' Compensation Safety Specialist's	Brody Parker
	Multiline Claims Manager's	Korby Siggard
	Chief Executive Officer's	Lester Nixon
	President of the Board of Trustees'	Dan McConkie
Information	Review of Member Powers	Ken Bischoff
Action	Approval of November 2003 Minutes	Dan McConkie
	Approval of 2005 Budgets	Gene Roundy
	Approval of Amended Articles of Incorporation	Steve Wall
Wrap-Up	Outstanding Achievements Awards	Kay Blackwell
	Election Results	Jerry Grover
DINNER		**6:00-7:00 Tropical Room**
HOLIDAY LIGHTS DISPLAY		**7:00-8:00 Electric Park**

Utah Counties Insurance Pool

5397 South Vine Street
Salt Lake City, UT 84107

Phone: 801-293-3098
Fax: 801-293-3480
Email: sonya@ucip.utah.gov

COVERAGE AGREEMENT COMMITTEE

September 16, 2004

Items presented for consideration

1. Hazardous Materials Handling: Several members have reported to staff that the State has shifted the responsibility for hazardous waste cleanup and disposal to counties or combinations of counties.

   1.1. The employees would be covered under Workers' Comp.
   1.2. Liability coverage for the acts of these employees is **not** excluded in the coverage agreement. However, General Coverage Exclusions, H, excludes

      1.2.1. **Bodily Injury, Personal Injury, Property Damage** or any type of damage whatsoever, including the loss of use or any other type of loss or damage caused by the release, discharge or dispersal of **Pollutants** anywhere, anytime in any way, whether accidental or intentional, sudden, intermittent or continuous and regardless of ownership or location, EXCEPT this exclusion does not apply as provided in the Liability Section for **Bodily Injury** or **Property Damage** arising out of heat, smoke or fumes from a hostile fire.

      1.2.2. If the HazMat team carries pollutants it has cleaned up, has a wreck and accidentally releases those pollutants, the claims would fall under this exclusion.

   1.3. **Recommendation:** add a second "EXCEPT this exclusion does not apply to the official activities of the Member's hazardous materials work unit."

2. Coverage for pesticide and herbicide application: Coverage for this activity is found in the definition of **"Pollutants"**

   2.1. means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapors, soot, fumes, acids, sounds, alkalis, chemicals, liquids, solids, gases, thermal pollutants, waste and all other irritants or contaminants. "Waste" includes materials to be recycled, reconditioned or reclaimed. However, for purposes of the general liability coverages provided in this agreement, "Pollutants" does not include herbicides or pesticides.
   2.2. Problems: refers to general liability, therefore E&O and auto liability coverages are excluded.
   2.3. Recommendation: Substitute "member" for "the general liability" in the definition of Pollutants. In Limits of Coverage, 3., Liability, (page 4) insert a sublimit of $50,000 for Herbicide and Pesticide Application.

3. Cyber Risk: Coverage for risks related to computers, networks, internet

   3.1. Many commercial insurance policies now exclude cyber risks. Some pools have started excluding this coverage. Attached is an endorsement to exclude losses caused by viruses and "hacking" events.

   3.2. Recommendation: UCIP should adopt this endorsement. Losses caused by viruses and hacking are preventable.

4. Property Coverage section, exclusion 20: this exclusion is directed at theY2K exposure and should be deleted.

   4.1. Recommendation: Delete exclusion 20 in the Property section.

5. Limited Coverage for Land Use: Some members have asked for additional coverage for land use suits. The only way I think we should expand is by a paid endorsement. An example of one I used in New Mexico is attached on Page 4. Please review the wording on this. I'm having trouble with the total available, which would be $125,000.

   5.1. Recommendation: Recommend offering the endorsement to members.

6. Endorsement #2: Change the cite on the UGIA to 63-30d-101

EXCLUSION OF LOSS TO AND LOSS OF USE OF DATA, COMPUTER HARDWARE AND SYSTEMS

Random Attack – Hacking Event or Computer Virus

The Pool will not pay for direct physical loss or damage caused by a random attack by a hacking event or computer virus. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Random Attack means the widespread attack, by a hacking event or computer virus, directed against the computer systems, software, data, or telecommunications systems of multiple organizations or persons who are not part of you, rather than solely at your computer systems, software, data, or telecommunications systems. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Hacking Event means an attack that allows unauthorized access or use of a computer or telecommunications system by electronically circumventing a security or procedure.

Computer Virus means a piece of code that is maliciously or fraudulently introduced into a computer or telecommunications system. Once introduced, the virus may destroy, alter, contaminate, or degrade the integrity, quality, or performance of data or any computer application software, computer network, or computer operating system and related software.

This exclusion does not apply to any specific attack to your computer equipment.

Specific Attack means the intentional attack, by a hacking event or computer virus, directed solely at your computer system, software, data or telecommunications system. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Denial of Services

The Pool does not cover any loss of earnings or extra expense caused by or resulting from denial of services.
Denial of Services means an intentional specific or random attack on your computer system or telecommunications system for the purposes of nuisance, sabotage, malicious tampering which has the effect of:

- Depleting system resources available through the Internet to authorized external users of your computer system or telecommunications systems; or
- Impeding Internet access of authorized external users to your computer system or telecommunications system.

Limited Coverage for Land Use Matters

It is hereby agreed and understood this **Agreement** provides $25,000 defense only coverage for liability arising out of the principles of eminent domain, condemnation proceedings or claims, inverse condemnation or claims, and regulatory taking by whatever name called, whether that liability accrues directly against the **Insured** or by virtue of any agreement entered into, by or on behalf of the **Member**. Claims alleging civil rights violations arising out of any of the listed proceedings are excluded.

However additional defense coverage will be provided by this endorsement in the amount of $100,000/$100,000 annual aggregate per **Member** for claims in inverse condemnation. The endorsed amount applies to defense costs of the Member only and cannot be applied to pay a settlement, plaintiff's costs or legal fees. A **Member** that uses in-house counsel may also apply for reimbursement of costs (legal fees) at a rate not to exceed $100.00 per hour.

The additional premium for this coverage is $10,000 annual.

Coverage under this endorsement is provided subject to payment of the additional contribution to the following members:

Retroactive Date: January 1, 2005

Subject otherwise to all terms, clauses and conditions of this policy.

January 1, 2005

San Juan County
sanjuancountyutah.org

SAN JUAN COUNTY COMMISSION

Lynn H. Stevens - Chairman
Manuel Morgan - Vice-Chairman
Ty Lewis - Commissioner
Rick M. Bailey - Administrator

September 1, 2004

Lester Nixon, Executive Director
Utah Counties Insurance Pool (UCIP)
5397 South Vine Street
Salt Lake City, Utah 84107

RE: Coverage for the transportation of Hazardous Materials in response operations

Dear Mr. Nixon:

My congratulations on your recent training provided in Cedar City. It was one of the better trainings that I have attended in my many years of involvement with the county and risk management.

One of the issues discussed at the conference was the coverage for the transportation of hazardous materials in a response operation. I am providing the following information based on my background and experience in this area.

The State of Utah has made certain recent decisions that have removed the Utah Highway Patrol from performing responses to hazardous materials incidents throughout the State. This decision impacts the rural areas of the state more than the urban parts where counties and cities have already been performing this type of activities for many years. Due to the distance from the "world", our County has been providing hazardous materials responses for many years, while other counties have not been involved at all in this activity.

The new "animal" on the street will be the regional response teams that will deal with hazardous materials as well as terrorism and homeland security incidents, planning and training.

There are in my opinion two or three specific issues where this type of coverage would need to be available to the counties:

- Our emergency operation plans as well as standard operating procedures do not require the county in most incidents to clean-up or take possession of hazardous materials except in situations of public safety. Our role is to response, stop leaks, etc., and assure that clean-up operations are conducted in a proper manner by certified companies. We have a cost

P.O. Box 9 • 117 South Main Street #202 • Monticello, Utah 84535-0009 • 435-587-3225 • Fax 435-587-2447

recovery ordinance in which the causing party becomes responsible for the costs of the cleanup. However, in some instances for the public safety and when an offending party cannot be found, we may be required to transport hazardous materials or waste to a safe and secure location. For example, several weeks ago, two unidentified barrels were abandoned on SR-191 in the UDOT right of way. The County HAZMAT team transported these barrels to the UDOT shop some twenty miles from the incident location. The contents of the barrels were not known at the time but were suspicious based on the attempts to remove any and all labels and markings on the barrels. Other times, we may be required to move and hold materials on county property until arrangements can be made to transport the materials and/or waste to a final location.

- On occasion, the county will find barrels or other materials that have been hiding in building's basement, out buildings, shed, etc. In our case to save thousands of dollars, we would have transported these to their final location.

- Our county does not participate in such programs, but I am aware that there are events hosted by organizations such as counties and health departments in which they will accept "household" type waste products which must then be held and transported to a certified ending location.

If I can provide you with any additional information, please feel free to contact me. Thank you for your efforts to provide services to the counties that are members of UCIP.

Very truly,

Rick M. Bailey

Rick M. Bailey, Administrator
San Juan County Commission

Attachments:

CC: DeeEll Fifield, DESHS
Doug Squire, Grand County SO

SAN JUAN COUNTY ORDINANCE NO. 1989-2

RELATING TO THE DIRECTOR OF EMERGENCY MANAGEMENT: Establishing liability for Hazardous Materials Emergency; Authorizing recovery of expenses incurred in any corrective or mitigative response action; vesting authority to collect those expenses and any legal fees; and providing an effective date.

1. AS USED IN THIS SECTION:

   A. "Hazardous Materials Emergency" means a sudden and unexpected release of any substance that because of its quantity, concentration, or physical, chemical, or infectious characteristics presents a direct and immediate threat to public safety or the environment, and requires immediate action to mitigate the threat.

   B. "Expenses" means actual labor costs of government and volunteer personnel including workers compensation benefits, administrative overhead, costs of equipment, costs of equipment operations, costs of materials, and the cost of any contract labor and materials.

2. A. The Director of the Office of Emergency Management, San Juan County Emergency Services may recover from those persons whose negligent actions caused the hazardous materials emergency taken under authority of this ordinance.

   B. The payment of expenses under this ordinance does not constitute an admission of liability or negligence in any legal actions for damages.

   C. The Director may obtain asssitance from the San Juan County Attorney or the Utah State Attorney General to assist the Director in recovering expenses and legal fees.

   D. Any recovered costs shall be deposited in the County General Fund.

3. By authority of Section 63-5-6, Utah Code Annotated 1953, as follows: Any Political subdivision may enact local ordinances pursuant to existing statutory or constitutional authority to provide for their recovery of expenses incurred by the political subdivision.

4. Effective date of this ordinance will be after publication in the local newspaper.

THIS ORDINANCE IS ADOPTED AT THE REGULAR MEETING OF THE BOARD OF COUNTY COMMISSIONERS OF SAN JUAN COUNTY, UTAH, HELD THIS 3RD DAY OF JULY, 1989, AND SHALL BE IN FULL FORCE AND EFFECT FROM AND AFTER THRITY (30) DAYS.

THE SAN JUAN COUNTY COMMISSION

/s/ CALVIN BLACK
Calvin Black, Chairman

ATTEST:

/s/ Gail D. Johnson
Gail D, Johnson, County Clerk/Auditor

Those Commissioners voting for adoption:
Commissioner Calvin Black
Commissioner Ty Lewis
Commissioner Mark Maryboy
Those Commissioners voting against adoption:
None

Filed in the Ordinance Records of San Juan County, Utah, July 6, 1989 by Dena Hunter, Deupty Clerk/Auditor

Utah Counties Insurance Pool
Payments
August 20 - September 16, 2004

Type	Date	Num	Name	Memo	Split	Amount
WF-Expense						
Check	9/27/2004	VISA	Wells Fargo	Account Number: 4856 2002 0646 9788	-SPLIT-	-3,700.16
Check	9/27/2004	VISA	Wells Fargo	Account Number: 4856 2002 0633 9635	-SPLIT-	-476.41
Check	9/27/2004	VISA	Wells Fargo	Account Number: 4856 2002 0646 9796	-SPLIT-	-185.00
Check	9/29/2004	2587	Positive Incentives	Invoice Numbers: 84805	Incentives	-1,539.75
Check	9/29/2004	2588	International Special Risk Service, Inc.	Invoice 16891	-SPLIT-	-345.00
Check	9/29/2004	2589	TCNS, Inc.	Invoice Number: 1897	-SPLIT-	-1,524.00
Check	9/29/2004	2590	Office Depot	Invoice Number: 257375235-001	Office Supplies	-115.70
Check	9/29/2004	2591	Lamplight Restaurant	Invoice Number: 1	Loss Control / Training	-500.55
Check	9/29/2004	2592	Mark W. Brady	Travel & Expense	-SPLIT-	-93.31
Check	9/29/2004	2593	Dan McConkie	Mileage Reimbursement	Board Expense	-22.88
Check	9/29/2004	2594	James Eardley	Mileage Reimbursement	Board Expense	-225.00
Check	9/29/2004	2595	Kay Blackwell	Mileage Reimbursement	Board Expense	-142.50
Check	9/29/2004	2596	Gene Roundy	Mileage Reimbursement	Board Expense	-196.50
Check	9/29/2004	2597	Jerry Grover	Mileage Reimbursement	Board Expense	-33.75
Check	9/29/2004	2598	Steve Baker	Mileage Reimbursement	Board Expense	-18.86
Check	9/29/2004	2599	Steven Wall	Mileage Reimbursement	Board Expense	-123.75
Check	9/29/2004	2600	Lynn Lemon	Mileage Reimbursement	Board Expense	-67.50
Check	9/29/2004	2601	Kent Sundberg	Mileage Reimbursement	Board Expense	-37.50
Check	9/29/2004	2602	Mark W. Brady	Travel & Expense	-SPLIT-	-390.54
Check	9/29/2004	2609	Lester J. Nixon	Travel Expenses	-SPLIT-	-1,025.67
Paycheck	9/30/2004		Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	9/30/2004		Charmaine G. Green	Direct Deposit	-SPLIT-	0.00
Paycheck	9/30/2004		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	9/30/2004		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	9/30/2004		Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	9/30/2004		Sonya J. White	Direct Deposit	-SPLIT-	0.00
Liability Check	9/30/2004		QuickBooks Payroll Service	Created by Payroll Service on 09/27/2004	-SPLIT-	-10,166.41
Liability Check	9/30/2004	2603	Utah Retirement Systems	Unit No: 864 (September 2004)	-SPLIT-	-6,787.81
Check	9/30/2004	2604	PEHP-LTD	Coverage Period: September 2004	Medical	-174.49
Liability Check	9/30/2004		United States Treasury	87-0495792	-SPLIT-	-6,881.08
Liability Check	9/30/2004		Nationwide Retirement Solutions	Entity: 644013	-SPLIT-	-2,830.54
Liability Check	9/30/2004	2605	Utah State Tax Commission	Account Number: Z68319	Payroll Liabilities	-1,354.56
Check	10/1/2004	2606	Public Risk Management Association	Invoice Number: 10008103	Dues / Subscriptions	-310.00
Check	10/1/2004	2607	Public Risk Management Association	Invoice Number: 10001553	Dues / Subscriptions	-175.00
Liability Check	10/14/2004		QuickBooks Payroll Service	Created by Payroll Service on 10/12/2004	-SPLIT-	-10,166.43
Paycheck	10/15/2004		Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2004		Charmaine G. Green	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2004		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2004		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2004		Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	10/15/2004		Sonya J. White	Direct Deposit	-SPLIT-	0.00
Check	10/16/2004	2610	The Hotel Hershey	AGRIP Governance Conference	-SPLIT-	-4,426.11
Check	10/16/2004	2608			Spoiled Check	0.00
Check	10/26/2004	VISA	Wells Fargo	Account Number: 4856 2002 0633 9635	-SPLIT-	-81.47
Check	10/26/2004	VISA	Wells Fargo	Account Number: 4856 2002 0646 9788	-SPLIT-	-356.06
Check	10/26/2004	VISA	Wells Fargo	Account Number: 4856 2002 0646 9796	-SPLIT-	-946.40
Check	10/26/2004	VISA	Wells Fargo	Account Number: 4856 2002 0789 0792	-SPLIT-	-238.86
Check	10/27/2004	2611	International Special Risk Service, Inc.	Invoice 17483	-SPLIT-	-465.00
Liability Check	10/27/2004	2612	Utah Local Governments Trust	Customer Number: 1576.0 (NOV)	-SPLIT-	-4,987.00
Check	10/27/2004	2613	Lynn Lemon	Travel Reimbursement - 10/16-20/04	-SPLIT-	-546.97
Check	10/27/2004	2614	Verizon Wireless	Invoice Number: 1893874444	Telephone	-33.33
Check	10/27/2004	2615	Verizon Wireless	Invoice Number: 1893598659	Telephone	-37.06
Check	10/27/2004	2616	Verizon Wireless	Invoice Number: 1893598658	Telephone	-100.12
Check	10/27/2004	2617	Glyphics Communications	Statement Number: 1034773	Telephone	-57.95
Check	10/27/2004	2618	UT Division Corporations Commercial Code	Entity Number: 1146328-0140	Board Expense	-7.00
Check	10/27/2004	2619	Office Depot	Invoice Number: 261192052-001	Office Supplies	-71.64
Check	10/27/2004	2620	Mark W. Brady	Travel Expenses	-SPLIT-	-210.00
Check	10/27/2004	2621	A La Carte Catering	Invoice Numbers: 2266	Board Expense	-114.50
Check	10/27/2004	2622	Brookhollow Holiday Collection	Invoice Number: GX001986	Incentives	-286.12
Check	10/27/2004	2623	Larson & Company	Invoice Number: 10543	-SPLIT-	-6,523.00
Check	10/27/2004	2624	Qwest	Account Number: 801-293-3098-606B	Telephone	-244.81
Check	10/27/2004	2625	Huddard Floral Company	Account Number: 202251	-SPLIT-	-103.80
Check	10/27/2004	2626	Snelling Personnel Services	Invoice Number: 3310302	Professional Fees	-228.48
Check	10/27/2004	2627	BW Town & Country Inn	Account Number: 850270	-SPLIT-	-552.00
Check	10/27/2004	2628	Lester J. Nixon	Travel Expenses	-SPLIT-	-1,217.56
Liability Check	10/29/2004		QuickBooks Payroll Service	Created by Payroll Service on 10/25/2004	-SPLIT-	-10,166.41
Paycheck	10/31/2004		Brody S. Parker	Direct Deposit	-SPLIT-	0.00
Paycheck	10/31/2004		Charmaine G. Green	Direct Deposit	-SPLIT-	0.00
Paycheck	10/31/2004		Korby M. Siggard	Direct Deposit	-SPLIT-	0.00
Paycheck	10/31/2004		Lester J. Nixon	Direct Deposit	-SPLIT-	0.00
Paycheck	10/31/2004		Mark W. Brady	Direct Deposit	-SPLIT-	0.00
Paycheck	10/31/2004		Sonya J. White	Direct Deposit	-SPLIT-	0.00
Liability Check	11/4/2004		United States Treasury	87-0495792	-SPLIT-	-6,881.00
Liability Check	11/5/2004		Nationwide Retirement Solutions	Entity: 644013	-SPLIT-	-2,830.54
Check	11/10/2004	2629	PEHP-LTD	Coverage Period: October 2004	Medical	-174.49
Liability Check	11/10/2004	2630	Utah Retirement Systems	Unit No: 864 (October 2004)	-SPLIT-	-6,787.81
Check	11/10/2004	2631	Utah Safety Council	Invoice Number: 79065	Loss Control / Training WC	-320.00
Check	11/10/2004	2632	Qwest	Account Number: 801-293-3098-606B	Telephone	-316.58
Check	11/10/2004	2633	iPhusion	Invoice Numbers: 1144	-SPLIT-	-775.00
Check	11/10/2004	2634	Dan McConkie	Expense Reimbursement	-SPLIT-	-586.18
Check	11/10/2004	2635	Kenneth Bischoff	Expense Reimbursement	-SPLIT-	-304.95
Check	11/10/2004	2636	Sonya J. White	Travel & Reimbursable Expenses	-SPLIT-	-122.59
Check	11/10/2004	2637	Mark W. Brady	Travel Expenses	-SPLIT-	-180.00
Check	11/10/2004	2638	Lester J. Nixon	Travel Expenses	Expenses	-120.00
Check	11/10/2004	2639	By The Numbers Actuarial Consulting, Inc.	Invoice Number: 2004-111	Actuarial Analysis	-2,000.00
Check	11/10/2004	2640	Crystal Inn - St. George	UAC Convention Hotel Accommodations	-SPLIT-	-585.00
Check	11/10/2004	2641	Positive Incentives	Invoice Numbers: 84855	Incentives	-2,175.56
Check	11/10/2004	2642	Positive Incentives	Invoice Numbers: 84857	Incentives	-600.25
Check	11/10/2004	2643	Office Depot	Invoice Number: 263501875-001	Office Supplies	-203.74

Type	Date	Num	Name	Memo	Split	Amount
Check	11/10/2004	2644	Snelling Personnel Services	Invoice Number: 3334070	Professional Fees	-85.68
Total WF-Expense						-106,661.67
WF-Work Comp Expense						
Check	10/21/2004	0031	BRF - Alternative Service Concepts	Voucher Number: 465	TPA WC	-861.40
Check	10/27/2004	0032	Alternative Service Concepts, LLC	Invoice Number: 0009559-IN	TPA WC	-11,153.13
Check	11/1/2004	0033	Alternative Service Concepts, LLC	Invoice Number: 0009559-IN	TPA WC	-13,532.16
Check	11/2/2004	34	Utah Labor Commission	Self Insurance Permit Renewal	Licenses / Permits WC	-650.00
Check	11/4/2004	36	Brody S. Parker	Expense Reimbursement	-SPLIT-	-187.64
Check	11/8/2004	37	BRF - Alternative Service Concepts	Voucher Number: 580	TPA WC	-1,193.39
Check	11/10/2004	35	By The Numbers Actuarial Consulting, Inc.	Invoice Number: 2004-110	Actuarial Analysis WC	-2,000.00
Total WF-Work Comp Expense						-29,577.72
TOTAL						**-136,239.39**

AFFIDAVIT OF DAN McCONKIE

STATE OF UTAH)
:ss
COUNTY OF SALT LAKE)

Dan McConkie, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

2. That the Affiant, on or about the 12 day of November, 2004, presided over a meeting of the Utah Counties Insurance Pool Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Counties Insurance Pool Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

DATED this 12 day of November, 2004.

DAN McCONKIE, President
Utah Counties Insurance Pool

On the 12 day of November 2004, personally appeared before me Dan McConkie, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.

NOTARY PUBLIC
SONYA WHITE
10169 S. Heytesbury Ln.
Sandy, UT 84092
My Commission Expires: 4-18-2006
State of Utah

NOTARY PUBLIC

Residing at: Sandy, UT

My Commission Expires: 4-18-2006

NOTARY PUBLIC
SONYA WHITE
10169 S. Hayesbury Ln.
Sandy, UT 84092
My Commission Expires: 4-18-2008
State of Utah