

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **January 31, 2005**

Marsh & McLennan Companies, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-5998
(Commission File Number)

36-2668272
(IRS Employer
Identification No.)

1166 Avenue of the Americas New York, NY
(Address of Principal Executive Offices)

10036
(Zip Code)

Registrant's telephone number, including area code: **(212) 345-5000**

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 1—Registrant's Business and Operations
Section 2—Financial Information

Item 1.01. Entry Into a Material Definitive Agreement.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

On January 30, 2005, Marsh & McLennan Companies, Inc. (“MMC”) and its subsidiaries and affiliates (including Marsh Inc., which are collectively referred to as “Marsh”) entered into an agreement (the “Settlement Agreement”) with the Attorney General of the State of New York (“NYAG”) and the Superintendent of Insurance of the State of New York to settle a lawsuit (the “Lawsuit”) that NYAG had commenced against the Marsh & McLennan Companies, Inc. and Marsh Inc. on October 14, 2004, and to terminate regulatory proceedings that the New York State Insurance Department (“NYSID”) had commenced by issuing a Citation on October 22, 2004, which was amended on October 25, 2004 (the “Amended Citation”).

The material terms of the Settlement Agreement are as follows:

1. In full satisfaction of any liability to NYAG and NYSID (collectively, “New York”) arising under the Lawsuit and the Amended Citation, Marsh will pay \$850 million, in four annual payments, into a fund (the “Fund”) to be used to pay Marsh’s policyholder clients under the terms of the Settlement Agreement. Marsh must pay this sum into the Fund in the following installments:
 - a. By June 1, 2005, Marsh must pay \$255 million into the Fund.
 - b. By June 1, 2006, Marsh must pay an additional \$255 million into the Fund.
 - c. By June 1, 2007, Marsh must pay an additional \$170 million into the Fund.
 - d. By June 1, 2008, Marsh must pay an additional \$170 million into the Fund.
2. The amounts Marsh pays into the Fund, plus interest, will be used to pay compensation to Marsh’s policyholder clients according to procedures set out in the Settlement Agreement. None of the money will revert to Marsh under any circumstances.
3. By April 30, 2005, Marsh shall calculate, in accordance with a formula approved by NYAG, the amount of that money that each U.S. policyholder client is eligible to receive from the Fund. Clients eligible to participate in the Fund are those clients that engaged Marsh to place, renew, consult on or service insurance with

inception dates between January 1, 2001 and December 31, 2004 (the “Relevant Period”) where such placements, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh during the Relevant Period.

4. By May 20, 2005, Marsh must send a notice to each eligible client setting forth, among other things, the amount it will be paid from the Fund if it elects to participate and signs a release (thus becoming a “Participating Policyholder”), stating also that the amount to be paid to each Participating Policyholder may increase if there is less than full participation by eligible clients in the Fund.
5. In the event that a client elects not to participate or does not respond (the “Non-Participating Policyholders”), that client’s allocated share may be used by Marsh to satisfy any pending or other claims asserted by policyholders relating to the matters cited in the Lawsuit and the Amended Citation. In no event shall a distribution be made from the Fund to any Non-Participant Policyholder until all Participating Policyholders have been paid the amount to which they are entitled, nor shall the total payments from the Fund to any Non-Participating Policyholder exceed 80 percent of that policyholder’s original allocated share. If any money remains in the Fund as of June 20, 2008, it will be distributed on a pro rata basis to the Participating Policyholders.
6. In no event shall any of the money paid into the Fund be used to pay attorneys’ fees.
7. Within 60 days of the date of the Settlement Agreement, Marsh shall undertake certain business reforms, including:
 - a. restrictions on the forms of compensation it may earn for its services in placing, renewing, consulting on or servicing any insurance policy (which shall not include any contingent compensation);
 - b. accepting no compensation other than a specific fee to be paid by the client, a specific percentage commission on premium to be paid by the insurer set at the time of purchase, renewal, placement or servicing of the policy, or both and, in the case of commissions, the requirement that, before the binding of any policy, Marsh disclose to its client, and obtain its client’s written consent for such commission;
 - c. a restriction against Marsh’s retention of interest earned on premiums collected on behalf of insurers without prior notification to the client;
 - d. a requirement that the MMC Board of Directors establish a Compliance Committee to monitor Marsh’s compliance with the standards of conduct set forth in the Settlement Agreement and report quarterly to the MMC Board of Directors for a period of five years; and

- e. certain other requirements in connection with cooperation with, reporting to, and monitoring of compliance by New York concerning the matters raised in the Lawsuit and the Amended Citation.
8. Marsh shall not seek or accept indemnification pursuant to any insurance policies policy for amounts it pays under the Settlement Agreement.

The foregoing summary is qualified in its entirety by reference to the Settlement Agreement, a copy of which is filed herewith.

Section 8—Other Events

Item 8.01. Other Events.

On January 31, 2005, Marsh & McLennan Companies, Inc. issued a press release announcing the execution of the Settlement Agreement. A copy of the press release is attached to this Report as an exhibit.

Section 9—Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

- 10.1 Agreement between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates (collectively, “Marsh”) dated January 30, 2005
- 99.1 Press Release issued January 31, 2005

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Marsh & McLennan Companies, Inc. and its subsidiaries (“MMC”) and their representatives may from time to time make verbal or written statements (including certain statements contained in this report and other MMC filings with the Securities and Exchange Commission and in our reports to stockholders) relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements may include, without limitation, discussions concerning revenues, expenses, earnings, cash flow, elimination of market services agreements (“MSA”), capital structure, existing credit facilities, access to public capital markets, including commercial paper markets, pension funding, the adverse consequences arising from market-timing issues at Putnam, including fines and restitution, the matters raised in the complaint filed by the New York Attorney General’s

Office stating a claim for, among other things, fraud and violations of New York State antitrust and securities laws (the “NYAG Complaint”), settlement discussions related to the NYAG Complaint, matters raised in a complaint filed by the Connecticut Attorney General and numerous other regulatory investigations and civil actions based on allegations similar to those raised in the NYAG Complaint, as well as market and industry conditions, premium rates, financial markets, interest rates, foreign exchange rates, contingencies, and matters relating to MMC's operations and income taxes. Such forward-looking statements are based on available current market and industry materials, experts' reports and opinions, and long-term trends, as well as management's expectations concerning future events impacting MMC. Forward-looking statements by their very nature involve risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by any forward-looking statements contained herein include, in the case of MMC's risk and insurance services business, changes in competitive conditions, the impact of litigation and other matters concerning the claims brought by the New York Attorney General’s Office, the Connecticut Attorney General, state insurance regulators and other civil litigants, loss of clients, inability to collect previously accrued MSA revenue, movements in premium rate levels, the conditions for the transfer of commercial risk and other changes in the global property and casualty insurance markets, natural catastrophes, mergers between client organizations, and insurance or reinsurance company insolvencies. Factors to be considered in the case of MMC's investment management business include changes in worldwide and national equity and fixed income markets, actual and relative investment performance, the level of sales and redemptions, and the ability to maintain investment management and administrative fees at historic levels; and with respect to all of MMC's activities, the ability to successfully access the public capital markets to meet long term financing needs, the continued strength of MMC’s relationships with its employees and clients, the ability to successfully integrate acquired businesses and realize expected synergies, changes in general worldwide and national economic conditions, the impact of terrorist attacks, changes in the value of investments made in individual companies and investment funds, fluctuations in foreign currencies, actions of competitors or regulators, changes in interest rates or in the ability to access financial markets, developments relating to claims, lawsuits and contingencies, prospective and retrospective changes in the tax or accounting treatment of MMC's operations, and the impact of tax and other legislation and regulation in the jurisdictions in which MMC operates.

Forward-looking statements speak only as of the date on which they are made, and MMC undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events. Please refer to Marsh & McLennan Companies' 2003 Annual Report on Form 10-K for "Information Concerning Forward-Looking Statements," its reports on Form 8-K, and quarterly reports on Form 10-Q.

MMC is committed to providing timely and materially accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, MMC and its operating companies use their websites to convey meaningful information about their businesses, including the anticipated release of quarterly financial results and the

posting of updates of assets under management at Putnam. Monthly updates of total assets under management at Putnam will be posted to the MMC website the first business day following the end of each month. Putnam posts mutual fund and performance data to its website regularly. Assets for most Putnam retail mutual funds are posted approximately two weeks after each month-end. Mutual fund net asset value (NAV) is posted daily. Historical performance and Lipper rankings are also provided. Investors can link to MMC and its operating company websites through www.mmc.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MARSH & McLENNAN COMPANIES, INC.

By: /s/ Bart Schwartz
Name: Bart Schwartz
Title: Deputy General Counsel

Date: January 31, 2005

Exhibit 10.1

**Agreement Between the Attorney General of the State of New York and
the Superintendent of Insurance of the State of New York, and
Marsh & McLennan Companies, Inc. , Marsh Inc. and their subsidiaries and affiliates
(collectively “Marsh”) dated January 30, 2005**

WHEREAS, the New York Attorney General (the “Attorney General”) commenced an action against Marsh & McLennan Companies, Inc. and Marsh Inc. pursuant to Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 *et seq.*), the Martin Act (Gen. Bus. Law § 352-c) and the common law of the State of New York dated October 14, 2004 (the “Complaint”), and has conducted an investigation related thereto (the “Attorney General’s Investigation”);

WHEREAS, the Superintendent of Insurance of the State of New York (the “Superintendent”) issued a Citation to Marsh & McLennan Companies, Inc. and certain of its subsidiaries dated October 21, 2004 and an Amended Citation dated October 25, 2004 (collectively, the “Amended Citation”) pursuant to § 2110 of the Insurance Law, and has conducted an investigation related thereto (the “Superintendent’s Investigation”);

WHEREAS, the Attorney General and Superintendent have alleged that Marsh unlawfully deceived its clients by a) steering clients’ insurance business to favored insurance companies, and b) soliciting fictitious bids in order to assure that insurance policies were placed to benefit favored insurers, as alleged in the Complaint;

WHEREAS, Marsh is cooperating with the Attorney General and Superintendent’s Investigations;

WHEREAS, in the wake of the filing of the Complaint and the Amended Citation, Marsh has adopted, and under this Agreement (the “Agreement”), will continue to adopt, a

number of business reforms that will govern the conduct of Marsh's employees;

WHEREAS, the Attorney General, the Superintendent and Marsh wish to enter into this Agreement to resolve all issues related to Marsh raised in the Complaint and the Amended Citation;

WHEREAS, the Attorney General and Superintendent find the relief and agreements contained in this Agreement appropriate and in the public interest;

WHEREAS, this Agreement is entered into solely for the purpose of resolving the Complaint and Amended Citation, and is not intended to be used for any other purpose;

WHEREAS, without admitting or denying any claim in the Complaint or the assertions in the Amended Citation, Marsh is entering into this Agreement prior to any court making any findings of fact or conclusions of law pursuant to any allegations by the Attorney General or the Superintendent;

WHEREAS, neither this Agreement, nor any acts performed nor documents executed in furtherance of this Agreement, may be used as an admission of the allegations and claims contained in the Complaint and the Amended Citation;

NOW THEREFORE, Marsh, the Attorney General and the Superintendent hereby enter into this Agreement, with a statement of apology attached as Exhibit 1, and agree as follows:

MONETARY RELIEF

1. Marsh shall pay Eight Hundred Fifty Million Dollars (\$850,000,000) into a fund (the “Fund”) over the next four years in four annual payments to be paid to Marsh’s policyholder clients who retained Marsh to place, renew, consult on or service insurance where such placement resulted in contingent commissions or overrides. All of the money paid into the Fund and any interest earned thereon shall be paid to such policyholder clients pursuant to this Agreement. No portion of the Fund shall be considered a fine or a penalty. This sum is in full satisfaction of Marsh’s obligations hereunder, and neither the Attorney General nor the Superintendent shall seek to impose on Marsh any other financial obligation or liability related to the Complaint or the Amended Citation.

2. Marsh shall A) by April 30, 2005 calculate, in accordance with a formula approved by the Attorney General, the amount of money each of the U.S. policyholder clients who retained Marsh to place, renew, consult on or service insurance with inception or renewal dates between January 1, 2001 through December 31, 2004 where such placement, renewal, consultation or servicing resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 through December 31, 2004 (the “Relevant Period”) is eligible to receive; B) within ten (10) days of completing these calculations, file a report with the Attorney General and the Superintendent, certified by an officer of Marsh, setting forth: I) each client’s name and address; ii) the client’s insurer(s), product line(s) and policy(ies) purchased and policy number(s); iii) the amount the client paid in premiums or consulting fees for each such policy; iv) for each such policy, the amount of contingent commission or override revenue recorded by Marsh during the Relevant Period attributable to that policy, in accordance with a calculation approved by the Attorney General and

the Superintendent; and v) the amount of contingent commission or override revenue each client is eligible to receive for each such policy and in the aggregate for all such policies pursuant to this Agreement; and C) by May 20, 2005, send a notice, subject to the approval of the Attorney General and the Superintendent, to each client eligible to be paid from the Fund, setting forth items ii) through v), above, and stating that the amount paid may increase if there is less than full participation by eligible clients in the Fund. For the purposes of this paragraph, "U.S. policyholder clients" means U.S.-domiciled policyholder clients and policyholder clients who retained Marsh's U.S. offices to place, renew, consult on or service insurance.

3. Clients eligible to receive a distribution from the Fund shall have until September 20, 2005 to request a distribution. Eligible clients who voluntarily elect to receive a cash distribution (the "Participating Policyholders") shall tender a release in the form attached hereto as Exhibit 2. In the event that any eligible client elects not to participate or otherwise does not respond (the "Non-Participating Policyholders"), that client's allocated share may be used by Marsh to satisfy any pending or other claims asserted by policyholders relating to these matters. In no event shall a distribution be made from the Fund to any Non-Participating Policyholder until all Participating Policyholders have been paid the full aggregate amount due as calculated pursuant to ¶ 2 above; nor shall the total payments from the Fund to any Non-participating Policyholder exceed 80% of that Non-participating Policyholder's original allocated share. If any funds remain in the fund as of June 20, 2008, any such funds shall be distributed on a pro rata basis to the Participating Policyholders.

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

5. Marsh shall pay \$255,000,000 into the Fund on or before June 1, 2005. Marsh shall pay \$255,000,000 into the Fund on or before June 1, 2006. Marsh shall pay \$170,000,000 into the Fund on or before June 1, 2007. Marsh shall pay \$170,000,000 into the Fund on or before June 1, 2008.

6. On November 1, 2005, June 30, 2006, June 30, 2007, and June 30, 2008, Marsh shall pay proportionally to each Participating Policyholder as much of that Participating Policyholder's aggregate share of the Fund as possible with the monies then available in the Fund pursuant to a calculation approved by the Attorney General and the Superintendent. Within forty-five (45) days of each payment from the fund, Marsh shall file a report with the Attorney General and the Superintendent, certified by an officer of Marsh, listing all amounts paid from the Fund.

BUSINESS REFORMS

7. Within sixty (60) days of the effective date of this Agreement, Marsh shall undertake the following business reforms.

A. Permissible Forms of Compensation

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

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

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

B. Prohibition of Contingent Compensation

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

C. Prohibition of “Pay-To-Play” Arrangements

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

D. Prohibition of “Bid-Rigging” Arrangements

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

E. Prohibition of Reinsurance Brokerage “Leveraging”

13. In placing, renewing, consulting on or servicing any insurance policy, Marsh shall not directly or indirectly accept from or request of any insurer any promise or commitment to use any of Marsh’s brokerage, agency, producing or consulting services, including reinsurance brokerage, agency or producing services, contingent upon any of the factors listed in ¶ 10 a) - f), above.

F. Prohibition of Inappropriate Use of Wholesalers

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

received or to be received by Marsh, b) any Marsh interest in or contractual agreement with the wholesaler, and c) any alternatives to using a wholesaler.

G. Mandated Disclosures to Clients

15. Marsh in placing, renewing, consulting on or servicing any insurance policy shall in writing: a) prior to binding, disclose to each client all quotes and indications sought and all quotes and indications received by Marsh in connection with the coverage of the client's risk with all terms, including but not limited to any Marsh interest in or contractual agreements with any of the prospective insurers, and all Compensation to be received by Marsh for each quote, in dollars if known at that time or as a percent of premium if the dollar amount is not known at that time, from any insurer or third party in connection with the placement, renewal, consultation on or servicing of insurance for that client; b) provide disclosure to each client and obtain written consent in accordance with ¶ 8 of this Agreement for each client, and c) disclose to each client at the end of each year all Compensation received during the preceding year or contemplated to be received from any insurer or third party in connection with the placement, renewal, consultation on or servicing of that client's policy.

H. Standards of Conduct and Training

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

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

J. Prohibition Against Violating New York Law

18. Marsh shall not directly or indirectly engage or attempt to engage in violations of Executive Law § 63 (12), the Donnelly Act (Gen. Bus. Law § 340 et seq.), and the Martin Act (Gen. Bus. Law § 352-c).

K. Limitation on Extraterritorial Effect

19. The provisions of paragraphs 7 through 17 shall apply only to those Marsh entities that (1) service clients domiciled in the United States; (2) place, renew, consult on or provide services for policies covering risks in the United States; or (3) are, themselves, domiciled in the United States.

MONITORING COMPLIANCE AND REPORTING

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

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

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

COOPERATION WITH THE SUPERINTENDENT

23. Marsh shall be subject to annual examination by the Superintendent for five (5) years at Marsh's expense beginning in 2005. Marsh shall fully cooperate with the Superintendent in such examinations. Marsh shall additionally provide private, secure office space, photocopying equipment and any other administrative or clerical resources necessary to assist in any examination,

as well as all relevant data, provided upon request by the Superintendent in electronic or computerized format. The Superintendent may coordinate such examinations with other states.

COOPERATION WITH THE ATTORNEY GENERAL

24. Marsh shall fully and promptly cooperate with the Attorney General with regard to his Investigation, and related proceedings and actions, of any other person, corporation or entity, including but not limited to Marsh's current and former employees, concerning the insurance industry. Marsh shall use its best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Attorney General in his Investigation and related proceedings and actions. Cooperation shall include without limitation: (1) production voluntarily and without service of subpoena of any information and all documents or other tangible evidence reasonably requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General reasonably requests be prepared; (2) without the necessity of a subpoena, having Marsh's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is requested by the Attorney General and having such persons answer any and all inquiries that may be put by the Attorney General (or any of the Attorney General's deputies, assistants or agents) to any of them at any proceedings or otherwise ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, grand jury hearing, trial or other proceedings); (3) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries reasonably made by the Attorney General concerning any fraudulent or criminal conduct whatsoever about which it has any knowledge or information; (4) in the event any document is withheld or redacted on grounds

of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Marsh indicating: a) the type of document; b) the date of the document; c) the author and recipient of the document; d) the general subject matter of the document; e) the reason for withholding the document; and f) the Bates number or range of the withheld document. The Attorney General may challenge such claim in any forum of its choice and may, without limitation, rely on all documents or communications theretofore produced or the contents of which have been described by Marsh, its officers, directors, employees, or agents; and (5) Marsh shall not jeopardize the safety of any investigator or the confidentiality of any aspect of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information with others during the course of the investigation, without the consent of the Attorney General. Nothing herein shall prevent Marsh from providing such evidence to other regulators, or as otherwise required by law.

25. Marsh shall comply fully with the terms of this Agreement. If Marsh violates the terms of ¶ 24 in any material respect, as determined solely by the Attorney General: (1) the Attorney General may pursue any action, criminal or civil, against any entity for any crime it has committed, as authorized by law, without limitation; (2) as to any criminal prosecution brought by the Attorney General for violation of law committed within six years prior to the date of this Agreement or for any violation committed on or after the date of this Agreement, Marsh shall waive any claim that such prosecution is time barred on grounds of speedy trial or speedy arraignment or the statute of limitations.

OTHER PROVISIONS

26. The Superintendent may take regulatory action to enforce this Agreement. The

Superintendent may investigate or take regulatory action against any current or former Marsh employee who is licensed by the Superintendent.

27. Marsh shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Agreement.

28. The Attorney General will promptly file a Notice Discontinuing Action with Prejudice, in the form attached hereto as Exhibit 3, voluntarily dismissing the Complaint with prejudice, and will not initiate a new case against Marsh related to the matters set forth in the Complaint or uncovered to date by the Attorney General's Investigation.

29. The Superintendent will promptly discontinue the administrative proceeding commenced by the Amended Citation with prejudice, pursuant to a Stipulation to be executed contemporaneously herewith in the form attached hereto as Exhibit 4, and will not initiate a new administrative proceeding against Marsh related to the matters set forth in the Amended Citation or uncovered to date by the Superintendent's Investigation.

30. This Agreement is not intended to disqualify Marsh, or any current employees of Marsh, from engaging in any business in New York or in any other jurisdiction. Nothing in this Agreement shall relieve Marsh's obligations imposed by any applicable state insurance law or regulations or other applicable law.

31. This Agreement shall not confer any rights upon any persons or entities besides the Attorney General, the Superintendent and Marsh.

32. Marsh shall maintain custody of, or make arrangements to have maintained, all

documents and records of Marsh related to this matter for a period of not less than six (6) years.

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

34. In any application or in any such action, facsimile transmission of a copy of any papers to current counsel for Marsh shall be good and sufficient service on Marsh unless Marsh designates, in a writing to the Attorney General, another person to receive service by facsimile transmission.

35. Facsimile transmission of a copy of this Agreement to counsel for each defendant shall be good and sufficient service on Marsh.

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

37. This Agreement may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto on this 30th day of
January, 2005.

ELIOT SPITZER, ESQ.

HOWARD MILLS

Attorney General
State of New York
120 Broadway, 25th Floor
New York, NY 10271

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

DAVIS POLK & WARDWELL

By:

Robert B. Fiske, Jr. Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Attorneys for Marsh &
McLennan Companies, Inc.

Attorneys for Marsh Inc.

EXHIBIT 1

“MARSH INC. WOULD LIKE TO TAKE THIS OPPORTUNITY TO APOLOGIZE FOR THE CONDUCT THAT LED TO THE ACTIONS FILED BY THE NEW YORK STATE ATTORNEY GENERAL AND SUPERINTENDENT OF INSURANCE. THE RECENT ADMISSIONS BY FORMER EMPLOYEES OF MARSH AND OTHER COMPANIES HAVE MADE CLEAR THAT CERTAIN MARSH EMPLOYEES UNLAWFULLY DECEIVED THEIR CUSTOMERS. SUCH CONDUCT WAS SHAMEFUL, AT ODDS WITH MARSH’S STATED POLICIES AND CONTRARY TO THE VALUES OF MARSH’S TENS OF THOUSANDS OF OTHER EMPLOYEES.

IN RESPONSE, WE HAVE TAKEN PROMPT, CORRECTIVE ACTION AND IMPLEMENTED A SERIES OF BUSINESS AND CORPORATE GOVERNANCE REFORMS. THE EMPLOYEES OF MARSH INC. ASK OUR CLIENTS AND OTHERS TO ALLOW US THE OPPORTUNITY TO REGAIN THEIR TRUST.”

EXHIBIT 2

GENERAL RELEASE

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

DEFINITIONS

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

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

"AGREEMENT" refers to a certain agreement between Marsh and the Attorney General of the State of New York ("NYAG") and the Superintendent of Insurance of the State of New York ("NYSI") dated February ___, 2005, relating to an action commenced against Marsh by NYAG dated October 14, 2004 captioned The People of the State of New York against Marsh & McLennan Companies, Inc. and Marsh Inc., Index No. 04/403342, and an investigation by NYAG relating to same (the "Complaint"), and a Citation and Amended Citation captioned In the Matter of Marsh & McLennan Companies, Inc. et. al., (Amended Citation No. 2004-0123-C), issued to Marsh by NYSI on October 21, 2004 and October 25, 2004, respectively, and an investigation by NYSI relating to same (collectively, the "Amended Citation").

RELEASE

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

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

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

subject to the exclusive jurisdiction of the Supreme Court of the State of New York or, to the extent federal jurisdiction exists, the United States District Court for the Southern District of New York.

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

Dated: _____

RELEASOR: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 4

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----	x	
THE PEOPLE OF THE STATE OF NEW YORK	:	
by ELIOT SPITZER, Attorney General of	:	
the State of New York,	:	
	:	
Plaintiff,	:	Index No. 04/403342
	:	
	:	NOTICE
	:	DISCONTINUING
– against –	:	ACTION WITH PREJUDICE
MARSH & McLENNAN COMPANIES, INC.	:	
and MARSH INC.,	:	
	:	
Defendants.	:	
-----	x	

PLEASE TAKE NOTICE that, pursuant to CPLR § 3217(a) and the agreement annexed hereto, plaintiff hereby discontinues this action with prejudice as of this date without costs to either party against the other.

Dated: New York, New York

[date]

ELIOT SPITZER,
Attorney General of the State of New York

By: _____
David D. Brown, IV
Assistant Attorney General
120 Broadway
New York, NY 10271
(212) 416-8198

Attorney for Plaintiff

To: Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036.

Marsh Inc.
1166 Avenue of the Americas
New York, New York 10036.

WHEREFORE, the following signatures are affixed hereto this _____ day of January, 2005.

Marsh & McLennan Companies, Inc.

By: _____

Marsh Inc.

By: _____

Eliot Spitzer, Attorney General
of the State of New York

By: _____

EXHIBIT 4



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

-----X
In the Matter of

**MARSH & McLENNAN COMPANIES, INC.,
MARSH, INC., MARSH PLACEMENT INC.
(formerly known as Marsh Global Broking
Inc.), MARSH USA INC., MARSH USA (ALASKA),
MARSH USA (CONNECTICUT), MARSH USA
(MASSACHUSETTS), MARSH USA (MICHIGAN),
MARSH USA (NEVADA), MARSH USA (OHIO),
MARSH USA (PENNSYLVANIA), MARSH USA
(TEXAS), MARSH USA (UTAH), MARSH
INSURANCE AGENCY & INVESTMENTS and
SEABURY & SMITH INC.,**

STIPULATION
No. 2004-0123-C

Respondents.

-----X

WHEREAS, Marsh Placement Inc. (formerly known as Marsh Global Broking Inc.) is licensed as a broker under Section 2104 of the New York Insurance Law ("Insurance Law") and as an excess line broker under Section 2105 of the Insurance Law; Marsh USA Inc. is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Alaska) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Connecticut) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Massachusetts) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Michigan) is licensed as a broker under Section 2104 of the Insurance Law and as an agent under Section 2103(a) of the Insurance Law; Marsh USA (Nevada) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Ohio) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh USA (Pennsylvania) is licensed as a broker under Section 2104 of the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103 (a) and (b) of the Insurance Law, and as a life broker under Section 2104(b)(1)(A) of the Insurance Law; Marsh USA (Utah) is licensed as a broker under Section 2104 of the Insurance Law; Marsh USA (Texas) is licensed as an agent under Section 2103(b) of the Insurance Law; Marsh Insurance Agency & Investments is licensed as an agent under Section 2103(a) of the Insurance Law; Seabury & Smith Inc. is licensed as a broker under Section 2104 of

the Insurance Law, as an excess line broker under Section 2105 of the Insurance Law, as an agent under Section 2103(a) and (b) of the Insurance Law, and as an independent adjuster under Section 2108 of the Insurance Law; and Marsh Inc. is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, all of the foregoing Respondents are wholly owned subsidiaries of Respondent Marsh & McLennan Companies, Inc., which is a Delaware corporation with its principal place of business in the State of New York; and

WHEREAS, on or about October 14, 2004, the Attorney General of the State of New York commenced a civil action in the Supreme Court of the State of New York, County of New York, *The People of the State of New York v. Marsh & McLennan Companies, Inc., et al.*, Index No. 04-403342 (the "Civil Action"), charging Respondents Marsh & McLennan Companies, Inc. and Marsh Inc. with fraudulent and anti-competitive practices in connection with the brokering of insurance business in violation of the New York Executive Law, the General Business Law and common law; and

WHEREAS, the Civil Action has been resolved pursuant to an Agreement Between the Attorney General of the State of New York, the Superintendent of Insurance and Marsh & McLennan Companies, Inc. and Marsh Inc., dated January 30, 2005 ("Settlement Agreement"), a copy of which is annexed hereto; and

WHEREAS, the attached Amended Citation, dated October 25, 2004, charging the Respondents with having used fraudulent, coercive and/or dishonest practices, having demonstrated untrustworthiness, violating Section 340 of the General Business Law, and having engaged in determined violations of the Insurance Law, was duly served on the Respondents; and

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

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

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

1. Respondents waive their right to further notice and hearing in this matter, and agree to fully comply with all of the terms and conditions of the Settlement Agreement.
2. Respondents agree to cooperate fully in all Department examinations of Respondents and in all Department investigations of current or former employees of Respondents or licensees of the Department.
3. Respondents acknowledge that this Stipulation may be used against them in any future Department proceeding if there is reason to believe the terms of the Settlement Agreement or this Stipulation have been violated by Respondents, or if the Department institutes disciplinary action against any Respondent for any reason other than the acts considered herein.
4. The proceeding initiated by the attached Amended Citation is hereby resolved and discontinued by the Department.

Dated: New York, NY
January , 2005

NEW YORK STATE INSURANCE DEPARTMENT

By: _____
Jon G. Rothblatt
Principal Attorney

MARSH & McLENNAN COMPANIES, INC.,
MARSH, INC., MARSH PLACEMENT INC.
(formerly known as Marsh Global Broking
Inc.), MARSH USA INC., MARSH USA (ALASKA),
MARSH USA (CONNECTICUT), MARSH USA
(MASSACHUSETTS), MARSH USA (MICHIGAN),
MARSH USA (NEVADA), MARSH USA (OHIO),
MARSH USA (PENNSYLVANIA), MARSH USA
(TEXAS), MARSH USA (UTAH), MARSH
INSURANCE AGENCY & INVESTMENTS and
SEABURY & SMITH INC.,

By: _____
Name:
Title:

STATE OF NEW YORK)
)ss.:
COUNTY OF)

On this day of January, 2005, before me personally came

, to me known, who, being by me duly sworn, did depose
and say that he/she resides at
; that he/she is the of
Marsh & McLennan Companies Inc., the corporation described in and which executed the above instrument

on behalf of each of the entities listed above; and that he/she signed his/her name thereto by order of the board of directors of said corporation.

Notary Public

THE FOREGOING STIPULATION IS HEREBY APPROVED.

Dated: New York, NY
 January , 2005

 HOWARD MILLS
 Acting Superintendent of Insurance

By: _____
 Audrey Samers
 Deputy Superintendent & General Counsel

News Release

MMC REACHES SETTLEMENT AGREEMENT WITH NEW YORK STATE ATTORNEY GENERAL AND SUPERINTENDENT OF NEW YORK STATE INSURANCE DEPARTMENT

NEW YORK, NEW YORK, January 31, 2005—Marsh & McLennan Companies, Inc. (MMC) today confirmed an agreement with the New York State Attorney General and the Superintendent of the New York State Insurance Department that resolves the actions that were commenced against MMC and Marsh Inc. As a result of this agreement, the company will enact reforms to lead the industry in transparency and service to clients and establish an \$850 million fund to compensate clients.

Under the terms of the agreement, the company neither admits nor denies the allegations in the Complaint filed by the Attorney General and the Amended Citation issued by the Superintendent. The company has cooperated fully with these investigations and will continue to cooperate in the Attorney General's ongoing investigation of the insurance industry and individuals. MMC has also worked with the Attorney General and Superintendent to introduce business reforms and corporate governance initiatives that the company expects will lead the industry.

Michael G. Cherkasky, president and chief executive officer of MMC, said: "Today's settlement is a significant step forward for MMC—its people, its clients, and its shareholders. It removes a major uncertainty for the company and enables us to focus all of our attention on serving our

clients. We are also pleased to have moved quickly and decisively to resolve these matters in a manner that compensates the valued clients for whom Marsh placed insurance in the United States.

“For over 130 years, Marsh has earned its clients’ trust by providing the highest quality insurance brokerage service. We deeply regret that certain of our people failed to live up to our history of dedicated client service. The acts of these employees were inconsistent with the integrity and ethics on which this company was founded and which guide our tens of thousands of other employees every day. We thank our thousands of clients who have permitted us to continue providing them high quality insurance brokerage service, and we humbly ask our existing and future clients for the opportunity to continue demonstrating our long-standing commitment to providing value and service.

“We will set the standard for transparency and demonstrate Marsh’s commitment to being the industry leader for ethical business practice and client service.”

Under the settlement agreement, MMC will establish an \$850 million fund to compensate clients nationwide. No portion of this fund represents a fine or penalty.

The fund will compensate U.S. policyholder clients who retained Marsh to place insurance with inception dates between January 1, 2001 and December 31, 2004, where such placements resulted in contingent commissions or overrides recorded by Marsh between January 1, 2001 and December 31, 2004. These clients will be eligible to receive a pro rata portion of the fund based on the premium and the amount of estimated Market Service Agreement revenue recorded by Marsh between January 1, 2001 and December 31, 2004. These clients will be eligible to receive a payment without having to prove fault, harm, or wrongdoing.

MMC will pay the total amount of the fund in four annual installments. On June 1, 2005 and 2006, respectively, MMC will pay \$255 million into the fund. On June 1, 2007 and 2008, respectively, MMC will pay \$170 million into the fund.

In addition to the \$232 million reserve established in the third quarter of 2004, MMC said it will take a pre-tax charge to fourth quarter 2004 earnings of \$618 million to reflect the impact of the settlement.

As part of the agreement and in keeping with the company's commitment to be a leader in establishing and maintaining the highest standards in its industry for the benefit of clients and shareholders, the company has established the following reforms in its U.S. brokerage business:

- MMC has discontinued the practice of receiving contingent compensation from insurance carriers. The company adopted this new policy effective October 1, 2004.
- The company will provide clients with a comprehensive disclosure of all forms of compensation received from insurers.
- The company will adopt and implement company-wide, written standards of conduct for the placement of insurance.
- The company will provide all quotes and terms as received from insurance companies to enable clients to make informed insurance coverage decisions.
- MMC will establish a Compliance Committee of the MMC Board of Directors and has appointed a chief compliance officer.

In addition, since the filing of the Attorney General's complaint in October 2004, MMC has restructured its Board of Directors so that the Board now consists of ten outside directors, in addition to its newly appointed president and CEO, Mr. Cherkasky, who serves as the single management director.

Separately, attached is a memorandum summarizing the facts of the internal investigation conducted by the law firm of Davis Polk & Wardwell.

MMC invites members of the press to participate in a conference call with Mr. Cherkasky and other senior management, which will include a question and answer session, today, January 31, at 11:00 a.m. ET. The participant dial-in number is (888) 802-8577. Callers from outside the United States and Canada should dial (973) 935-2981.

All others are welcome to listen to the press conference via a live audio webcast at www.mmc.com. The webcast will be archived on MMC's website beginning at approximately 2:00 p.m. ET today.

A replay of the press conference will be available beginning at approximately 12:00 p.m. ET today until 11:59 p.m. ET on February 6. To listen to the replay, please dial (877) 519-4471. Callers from outside the United States and Canada should dial (973) 341-3080.

Mr. Cherkasky and Sandra S. Wijnberg, MMC's senior vice president and chief financial officer, will hold a conference call with the investment community on Tuesday, March 1, following the announcement that morning of MMC's fourth quarter and year-end 2004 financial results.

MMC is a global professional services firm with annual revenues exceeding \$11 billion. It is the parent company of Marsh Inc., the world's leading risk and insurance services firm; Putnam Investments, one of the largest investment management companies in the United States; and Mercer Inc., a major global provider of consulting services. More than 60,000 employees provide analysis, advice, and transactional capabilities to clients in over 100 countries. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, Pacific, and London stock exchanges. MMC's website address is www.mmc.com.

Marsh & McLennan Companies, Inc. and its subsidiaries ("MMC") and their representatives may from time to time make verbal or written statements (including certain statements contained in this press release and other MMC filings with the Securities and Exchange Commission and in our reports to stockholders) relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements may include, without limitation, discussions concerning revenues, expenses, earnings, cash flow, elimination of market services agreements ("MSA"), capital structure, existing credit facilities, access to public capital markets, including commercial paper markets, pension funding, the adverse consequences arising from market-timing issues at Putnam, including fines and restitution, the matters raised in the complaint filed by the New York Attorney General's Office stating a claim for, among other things, fraud and violations of New York State antitrust and securities laws, the complaint filed by the Connecticut Attorney General and numerous other investigations being conducted by other state attorneys general and state superintendents of insurance, as well as market and industry conditions, premium rates, financial markets, interest rates, foreign exchange rates, contingencies, and matters relating to MMC's operations and income taxes. Such forward-looking statements are based on available current market and industry materials, experts' reports and opinions, and long-term trends, as well as management's expectations concerning future events impacting MMC. Forward-looking statements by their very nature involve risks and uncertainties. Factors that may cause actual

results to differ materially from those contemplated by any forward-looking statements contained herein include, in the case of MMC's risk and insurance services business, changes in competitive conditions, the impact of litigation and other matters concerning the claims brought by the New York Attorney General's Office and state insurance regulators, loss of clients, inability to collect previously accrued MSA revenue, movements in premium rate levels, the conditions for the transfer of commercial risk and other changes in the global property and casualty insurance markets, natural catastrophes, mergers between client organizations, and insurance or reinsurance company insolvencies. Factors to be considered in the case of MMC's investment management business include changes in worldwide and national equity and fixed income markets, actual and relative investment performance, the level of sales and redemptions, and the ability to maintain investment management and administrative fees at historic levels; and with respect to all of MMC's activities, the ability to successfully access the public capital markets to meet long term financing needs, the continued strength of MMC's relationships with its employees and clients, the ability to successfully integrate acquired businesses and realize expected synergies, changes in general worldwide and national economic conditions, the impact of terrorist attacks, changes in the value of investments made in individual companies and investment funds, fluctuations in foreign currencies, actions of competitors or regulators, changes in interest rates or in the ability to access financial markets, developments relating to claims, lawsuits and contingencies, prospective and retrospective changes in the tax or accounting treatment of MMC's operations, and the impact of tax and other legislation and regulation in the jurisdictions in which MMC operates.

Forward-looking statements speak only as of the date on which they are made, and MMC undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events. Please refer to Marsh & McLennan Companies' 2003 Annual Report on Form 10-K for "Information Concerning Forward-Looking Statements," its reports on Form 8-K, and quarterly reports on Form 10-Q.

MMC is committed to providing timely and materially accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, MMC and its operating companies use their websites to convey meaningful information about their businesses, including the anticipated release of quarterly financial results and the posting of updates of assets under management at Putnam. Monthly updates of total assets under management at Putnam will be posted to the MMC website the first business day following the end of each month. Putnam posts mutual fund and performance data to its website regularly. Assets for most Putnam retail mutual funds are posted approximately two weeks after each month-end. Mutual fund net asset value (NAV) is posted daily. Historical performance and Lipper rankings are also provided. Investors can link to MMC and its operating company websites through www.mmc.com.

DAVIS POLK & WARDWELL

450 Lexington Avenue
New York, N.Y. 10017
212 450 4000

January 31, 2005

Introduction

The purpose of this memorandum is to provide a summary of certain of the factual observations that we have made in the internal investigation that has been conducted at Marsh & McLennan Companies, Inc. (“MMC”) and Marsh Inc. (together “Marsh”) by Davis Polk & Wardwell (“DPW”) and Kroll, Inc. (“Kroll”).

Scope of the Investigation

On April 6, 2004, Marsh received its first subpoena in connection with the insurance industry investigation that has been conducted by the Office of the New York Attorney General (“NYAG”) and the New York State Insurance Department (“NYSID”). Soon thereafter, DPW was retained by Marsh to represent the company in the inquiry, and to investigate the relevant facts. On October 14, 2004, NYAG filed a civil complaint against Marsh (“the Complaint”), and on October 21, 2004, NYSID filed a citation against the company (the “Citation”). Subsequently, Kroll was asked to participate jointly with DPW in the ongoing investigation.

In recent months, the combined DPW and Kroll team has included over forty lawyers and investigators. At this point, the investigative team has reviewed over 2,400,000 pages of e-mails and other documents, and has conducted over 200 employee interviews. Much of the investigative work has focused on the activities of Marsh Inc.’s Excess Casualty group, which is the principal focus of the allegations in the Complaint and the Citation. At the same time, we have sought to determine whether the types of problems that have been identified in the Excess Casualty group exist in other groups or areas within Marsh. To this end, we have conducted targeted factual reviews of other product lines within the Global Broking department, including the Property, Middle Markets, Healthcare, Environmental, FinPro, and Excess Workers Compensation groups. We have also reviewed aspects of other divisions and business units within Marsh Inc., including Guy Carpenter, Employee Benefit Services, Private Client Services and Client Advisory, as well as the employee benefits consulting group of Mercer Human Resources Consulting, a unit of MMC.

What follows is an overview of some of the more significant facts that we have seen to date, based on the above activity. We note that the investigations by NYAG, NYSID, and other state regulators are continuing, and there may thus be significant additional evidence (particularly from insurance carriers and other third parties) that comes to light in the future, evidence which could affect the observations in this memorandum.

Summary of Factual Observations

Anticompetitive Issues

“Bid Rigging”

We define bid rigging as conduct in which Marsh employees directed non-incumbent insurance carriers to submit quotes that were higher than the quotes that the carriers otherwise would have provided, as a means to ensure that the prices being quoted by incumbent carriers would not be underbid. It is this type of conduct that has been the subject of the criminal charges brought to date against employees of Marsh and other companies. (Such conduct is, we believe, distinguishable from other forms of potentially problematic communications that are discussed further below.)

The specific instances of such conduct that we have identified involve principally employees in the Excess Casualty and Excess Workers Compensation groups within the Global Broking department of Marsh Inc. While the number of such instances that we have identified at this point is relatively limited, the individuals who have pleaded guilty to date have stated that such discussions took place regularly, and the relevant emails and other communications that we have reviewed are not inconsistent with these statements. We anticipate that additional examples of this type of conduct may well be identified in these and other product lines as the government investigations continue.

“B Quotes”

Within the Excess Casualty group, we have seen — in communications among brokers and between brokers and carrier representatives — widespread instances in which Marsh Inc. brokers solicited so-called “B quotes” from various insurance carriers. These solicitations were made in situations where an incumbent carrier was expected to be awarded a policy renewal by the client, in which case the non-incumbents, in being asked for “B quotes,” were provided with some indication that they were unlikely to win the bid. (In the Excess Workers Compensation group, we have seen analogous types of communications, although none using the particular “B quote” nomenclature.) In a number of these instances, the solicitation of a “B quote” by the broker was accompanied by some disclosure of the amount of the incumbent’s quote, the amounts of other quotes gathered to date, and/or other such information.

In some cases, “B quotes” were solicited in the course of “bid rigging” discussions of the sort that are described above. In other instances, the solicitation of a “B quote” does not appear to have involved any instruction that a quote be artificially high; instead, employees involved in these communications describe the “B quote” request as one in which they were either: (a) soliciting the “B quote” as a legitimate “backup” quote to be employed in the event that the client decided to abandon the incumbent carrier, and/or (b) notifying the carrier that it was unlikely to prevail, so the carrier did not waste resources preparing a time-consuming analysis in support of what was expected to be a losing bid. In such cases, the employees deny that the “B quote” communications had any anticompetitive intention or effect.

It is clear that these “B quote” communications were not typically disclosed to clients. We have not seen evidence that this type of “B quote” concept was employed outside of the Excess Casualty or Excess Workers Compensation groups.

“Accommodation Quotes”

Brokers across various product lines report that it has been common — within Marsh and throughout the industry — for brokers to solicit quotes, however high, from carriers that otherwise were disinclined to bid on a particular client’s risk. The brokers maintain that such quotes were provided by the disinclined carriers as a favor or “accommodation” when a broker was unable otherwise to obtain a complement of quotes that was extensive enough to satisfy a client’s expectation. As with the “B quote” scenario discussed above, such “accommodation” requests were at times accompanied by a disclosure by the broker to the carrier of information concerning other carriers’ bids.

In such cases, the brokers indicate that the quotes were intended to be “bindable,” meaning that, if for some reason a client accepted an accommodation quote, the carrier at issue would have been required to issue the policy. Given this understanding, the brokers maintain that the practice did not have an anticompetitive intention or effect, and that the accommodation quote simply reflected the true price at which an otherwise reluctant carrier was willing to write the policy at issue. Again, the fact that such a quote was an “accommodation” quote was not something that brokers typically disclosed to clients.

Issues Regarding Contingent Commissions

MSA “Steering”

The existence of MSA agreements was common knowledge among brokers in various product lines within Global Broking department. In addition, brokers were often made aware of the terms of these agreements in discussions about the placement process. As such, the prospect of MSA revenues was often a factor in discussions among brokers concerning the desirability of doing business with particular insurance carriers, as well as a significant topic of discussion between placement brokers and the insurance carriers themselves.

Determining the extent to which such discussions or considerations in fact led to less-than-optimum placements in the many thousands of Marsh placements that took place in a given year would require a difficult and time-consuming analysis, given the complexity of the competing insurance offerings and the subjectivity of client policy preferences. In this regard, brokers have consistently stated that they did not “steer” business to the detriment of a particular client, nor have we seen evidence which suggests that any broker believed that a particular client was harmed as a result of any such discussion or activity. Again, while the existence of MSA agreements was routinely disclosed by Marsh Inc., it does not appear that the types of “steering” discussions referred to above were shared with clients.

MSA Disclosure Issues

In 1999, in response to client concerns about the role of contingent commissions, Marsh Inc. announced an agreement with RIMS (the risk managers trade association) in which RIMS approved a protocol by which Marsh Inc. would disclose to clients the existence of such arrangements, as well as certain information about the amount of contingent commission revenues that Marsh Inc. received. Pursuant to this protocol, Marsh Inc. has since 1999 routinely disclosed the existence of its MSA arrangements to clients. In addition – again pursuant to the RIMS protocol – Marsh Inc. has provided to clients upon request a calculation (called an “average contingency factor” or “ACF”) that reflected the percentage amount that Marsh Inc. earned globally from MSA revenue, as compared to the overall amount of premiums placed by Marsh Inc., in a given calendar year. Finally, per the RIMS protocol, clients who requested further information were to be provided with an additional calculation that provided an approximation of the amount of Marsh Inc.’s MSA revenues that would have been attributable to the particular client’s placements, again during a given calendar year.

Marsh Inc. complied with the terms of the RIMS agreement; nonetheless, given the manner in which the calculations were performed pursuant to the protocol, the amounts conveyed to clients could be viewed by certain clients as inaccurate or misleading. First, in the initial years following the RIMS agreement, it appears that certain amounts were included in the calculation of Marsh Inc.’s premium revenue that were not relevant to the computation of the average contingency factor. The result was that the ACF reported to clients in the initial years was less than one percent, whereas, in hindsight, the amount should have been between one and two percent.

In addition, depending on the configuration of insurance products that a client purchased through Marsh Inc., the ACF and any additional approximation that was conveyed to the client could have been materially different than the amount of MSA revenue that was associated with the particular client’s placements. That is because the RIMS protocol called for Marsh Inc. to disclose the magnitude of MSA revenues on a blended basis, across all product lines, without regard to the fact that, among different product lines, there were large variations in the contingent commission percentages that were paid by different carriers. The net result was that a client who, for example, purchased policies predominantly through Marsh Inc.’s Excess Casualty group (which had the most lucrative MSA agreements of any Global Broking product line) may have generated MSA revenues for Marsh Inc. in excess of ten or fifteen per cent of the client’s overall premium. Upon inquiry, however, the same hypothetical client would have been told, depending on the year in question, that Marsh Inc.’s ACF, or “average” MSA revenue percentage, was in the range of two per cent or less. In short, the calculations at issue would in some cases have produced responses that were technically accurate, but potentially misleading, as a result of the significant variations in the amount of MSA revenues that were paid among different product lines.

Other Issues

- We have found no evidence that the client-facing representatives in Marsh Inc.’s Client Advisory group were involved in the bid rigging, “B quote,” or steering activities that are described above.

- We have found no evidence that client placements were “steered” to carriers with an understanding that such carriers would employ Guy Carpenter in turn for their own reinsurance needs.
- We have found no evidence of any effort by Marsh employees to falsify the financial records of the company.

Davis Polk & Wardwell