

COMPENSATION GUIDE FOR CANADIAN CLIENTS



ABOUT MARSH

Marsh is a global leader in insurance broking and risk management. Marsh helps clients succeed by defining, designing, and delivering innovative industry-specific solutions that help them effectively manage risk. Marsh's approximately 26,000 colleagues work together to serve clients in more than 130 countries. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy, and human capital. With 55,000 employees worldwide and annual revenue exceeding \$12 billion, Marsh & McLennan Companies is also the parent company of Guy Carpenter, a global leader in providing risk and insurance intermediary services; Mercer, a global leader in talent, health, retirement, and investment consulting; and Oliver Wyman, a global leader in management consulting. Follow Marsh on Twitter @MarshGlobal, or on LinkedIn, Facebook, and YouTube.

OUR CLIENT BUSINESS SEGMENTS

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

Marsh Canada's Corporate Segment

Our Corporate segment¹ focuses on clients with complex risk and insurance needs. These clients vary by industry, geography, and risk exposures. Marsh is organized to serve clients efficiently, and deliver tailored solutions based on risk complexity and geographic footprint that are matched to the client's buying style. We deploy a team approach delivered through industry and product specialists to address our clients' risk management and insurance needs.

Corporate is also dedicated to serving the insurance needs of midsize companies in Canada. These clients look for market knowledge, experience, and expertise in a streamlined manner at competitive prices, and generally do not require highly customized product adaptations. They typically view their insurance broker as a trusted business partner who is able to advise them on risk issues and fulfill their insurance requirements inclusive of their personal needs and those of their employees.

Marsh Canada's Commercial Segment

Our Commercial Segment focuses on clients which can be described as small and medium-sized businesses and personal lines clients. These clients tend to place an emphasis on price, product and service quality. They view insurance brokers and other service providers (i.e., lawyers, bankers, etc.) as trusted business advisors as they do not employ dedicated internal insurance purchasing expertise and resources. Personal contact and visibility with the owners of these clients is important and they are influenced by an insurance broker's presence and involvement in the clients' local community/network. Ultimately these clients look to their insurance broker to provide them with all their insurance requirements (business and personal) and pay for these services as part of the premium spend which for the most part comes to the broker as commission. Operationally at Marsh the delivery of our products and services to this segment comes through the following business units: Personal Lines, Affinity/Commercial Programs and Commercial Lines.

For more information about Marsh, our businesses, colleagues and specialties, please visit us on the internet at <http://canada.marsh.com/>.

¹ Corporate Segment is what is sometimes referred to as Marsh's "core" Canadian broking operations.

OUR COMMITMENT TO TRANSPARENCY AND COMPLIANCE

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

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

In addition, we will seek consent from our Canadian clients before we:

- Disclose to a prospective insurer the names of the incumbent insurer or other prospective insurers;
- Provide insurers with a specific price, range of prices or prioritization of terms that the client seeks in purchasing insurance;
- Disclose to prospective insurers the structure, language and/or pricing of the expiring policy;
- Disclose aspects of one insurer's quote (including price, structure, and/or policy language) to other prospective insurers; or
- Provide to an insurer an opportunity to submit an improved quote after all other competing final quotes have been received, sometimes referred to as a "last look."

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

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

OUR COMPENSATION

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

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

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

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

Insurer Consulting Compensation (ICC): Marsh receives compensation from insurers for providing consulting, data analytics, or other services. The services are designed to improve the product offerings available to our clients, assist insurers in identifying new opportunities, and enhance insurers' operational efficiency. The scope and nature of the services vary by insurer and by geography. This compensation can be paid in the form of a fixed fee, a percentage of premium, or a combination of both. Percentage of premium insurer consulting compensation was formerly known in Canada as enhanced commissions.

Contingent Commissions: Some insurers agree to pay contingent commissions to brokers who meet set goals for all or some of the policies the brokers place with the insurer during a given year or other time period. The set goals may include volume, profitability, retention, and/or growth thresholds. Because the amount of contingent commission earned may vary depending on factors relating to an entire book of business over the course of a year, the amount of contingent commission attributable to any given policy typically will not be known at the time of placement. Marsh does not accept contingent commissions on domestic placements for Canadian clients served by our core Canadian broking operations, other than contingent commissions that may be earned in the capacity of managing general agent or underwriting manager. Marsh operations outside Canada that accept contingent commissions seek agreement from insurers to not pay contingent commissions relating to any insurance policy that is issued to an insured domiciled in Canada, or that is managed from there. Portions of Marsh Canada's Commercial segment accept contingent commissions.

Insurer Administration & Other Services: Some insurers compensate Marsh for administrative or other services Marsh performs on their behalf.

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

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



OTHER INFORMATION

Marsh and its subsidiaries or affiliates own equity interests in a small number of insurers or reinsurers. A current list of those equity interests can be viewed at: <http://canada.marsh.com/AboutUs/AboutMarsh/articleJYpe/ArticleView/articleid/4466/Disclosure.aspx>.

Marsh is affiliated with other insurance-related entities that may perform services associated with a Marsh client's account. Mercer is a premier human resource consulting firm that may provide health and benefits consulting and insurance placement expertise to Marsh clients. Guy Carpenter & Company is a leading reinsurance broker, and it may place reinsurance for insurance companies that insure a client's risk through Marsh. Oliver Wyman is a global leader in management consulting that may provide actuarial or consulting services for Marsh clients.

Marsh is the world's largest provider of captive management solutions. Marsh Global Analytics helps organizations use data and analytical tools to better understand risks, make more informed decisions, support the implementation of innovative solutions and strategies, and ultimately reduce costs. Marsh Risk Consulting is a global organization comprising specialists dedicated to providing clients with advice and solutions across a comprehensive range of insurable and non-insurable risks. Encon Group Inc. is a leading managing general agent in Canada, offering insurance programs for individuals, professionals, organizations and businesses, which are available through brokers and plan advisors across the country. CS STARS serves the technology needs of risk management professionals as well as insurers and third-party administrators through integrated software and services that support risk management, claims administration, compliance management, and data management.

Marsh is also compensated for assisting its clients in obtaining premium financing.

QUESTIONS? JUST ASK.

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

If you wish to raise issues, express concerns, or file a complaint regarding compensation paid or payable to us by insurers or any other third parties, please contact our Ethics and Compliance line at 1 800 381 2105, 24 hours a day, seven days a week.

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