



Joseph J. Plumeri
Chairman & Chief Executive Officer

July 15, 2011

Dear Client:

I am contacting you, and every other client of Willis's Human Capital Practice, to discuss how health care reform is changing the way that many health insurance carriers are compensating brokers in certain segments and lines of business. I want to let you know how these changes impact both you and Willis as we continue to service your health insurance needs. Where carriers are not changing their compensation practices, be assured that Willis is not changing its longstanding position regarding broker compensation.

The path Willis has followed for many years regarding broker compensation recalls Robert Frost's poem, "The Road Not Taken." That poem describes the journey Willis took ninety years later, in 2005, when we diverged from the rest of the industry and refused to accept contingent commissions in our retail business.

We're a better company for having taken the road "less traveled." As Frost wrote, it "has made all the difference." As we disavowed end-of-year payments from insurers, we became smarter about the businesses we serve; we offered better solutions; we gave better service; we worked harder to get claims paid; and we did all these things with integrity in the name of our clients. Taking the road "less traveled" allowed us to work with our clients with unmatched passion, enshrined in what we call The Willis Cause.

In 2005, our existing clients applauded our stand. New clients arrived because of it. And many of the insurance carriers with whom we place roughly \$40 billion in premium each year also understood our purpose. They agreed to pay commissions up front, rather than as an end of year bonus, to help us be transparent with our clients and counter the persistent conflicts of interest that still plague our industry.

This year, one industry segment – U.S. medical lines – which is dominated by a few major insurance carriers, is facing a challenge to their business model as a result of the health care reforms passed by Congress. How those insurers responded affects Willis, which has a strong employee benefits business that has been based on up-front commissions that we fully disclose to clients before placing business.

When health care reform was passed, we prepared for changes to compensation that the giant carriers would try to impose and worked to resist it. In certain lines and segments of their business, these carriers are trying to hit federally-mandated medical loss ratio targets. As a result, they are shifting from "commissions-as-a-percent-of-premium" plans to volume-based strategies, which typically include a fixed-dollar "per employee per month," or PEPM, fee that varies based on broker volume. These new volume-based triggers are generally dependent upon premium volume, case count, and/or member count. Many of these volume-based PEPM plans are further accompanied by traditional contingent payments which we have long rejected and will continue to do so.

This is the reality we're facing. When industry giants shift the landscape for Willis and its clients, there is little choice but to change along with them. Health care may need reform, but this remedy is no cure.

Of course, we are strongly opposed to these changes in broker compensation. In response, I wrote personal letters to many of the major health insurance CEOs whose companies were adopting these



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volume-based broker compensation plans and asked them to reconsider. “I hope that you will join us in supporting the best interests of our mutual clients by eliminating volume-based broker compensation practices,” my letter concluded.

To date, our plea has fallen on deaf ears. Not one of the CEOs to whom I wrote expressed a willingness to veer from the road they’re taking. The refusals we’ve received won’t deter us from continuing our efforts to promote transparency in our industry and oppose conflicts of interest when we find them.

In the meantime, until we can convince the carriers otherwise, Willis faces a fork in the road, with each direction offering genuine challenges. One option would be to exit the employee benefits business, but we are unwilling to abandon the clients who depend upon us. Another option would be to accept the revised compensation programs in full, but we are unwilling to accept the traditional contingent compensation that we have long rejected. Therefore, the third option, which is the path that we have chosen, is to accept the volume-based standard compensation being imposed upon us by those carriers implementing such strategies while continuing to reject the traditional contingent bonus payments. To be clear, if your carrier has not imposed volume based standard compensation, there is no impact to you.

Our total fidelity to our clients remains unchanged. Our refusal to take traditional contingent compensation in our retail business is untouched. Our position, as we move forward, is spelled out simply in four important and unwavering commitments. First, we will disclose all compensation we receive to our clients. Second, all of our brokerage placement will be client-directed. Third, we’ll adhere fully to legal and disclosure requirements. Finally, we’ll work to persuade carriers to overturn their policies.

Just as Frost’s poem is open to interpretation, so too are the narrow options for employee benefits brokers in the new world of health care reform. While changes to the industry increase the hazards along the road, the advice and counsel we offer will continue to help our clients avoid the potholes.

For further information, I encourage you to speak directly to your Client Advocate. To learn more about The Willis Cause and how we work passionately to serve our clients, please visit our website at www.Willis.com/williscause.

Thank you very much for allowing me to share these thoughts with you.

Sincerely,

A handwritten signature in cursive script that reads "Joe Plumeri".

Joseph J. Plumeri