

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44

**STATE OF ALASKA**  
**DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT**  
**DIVISION OF INSURANCE**  
**550 West 7<sup>th</sup> Avenue, Suite 1560**  
**ANCHORAGE, ALASKA 99501-3567**

**ORDER # MCE P-05-03**

Order under the Provisions of  
AS 21.06.150(b), approving  
the Report on Market Conduct  
Examination.

In the matter of the Market )  
Conduct Examination of )  
**Willis of Alaska, Inc.** )  
\_\_\_\_\_ )

The Director of Insurance for the State of Alaska, Linda S. Hall, issues this order adopting the Report of Market Conduct Examination MCE P-05-03, dated February 15, 2006, of Willis of Alaska, Inc. (Willis) based upon the following findings:

**FINDINGS OF FACT**

**Finding No. 1.**

Willis of Alaska, Inc. is licensed in Alaska and holds firm license #26307 for the Anchorage office and #26306 for the Fairbanks office, for all lines including surplus lines and is subject to examinations pursuant to Alaska Statute (AS) 21.06.130.

**Finding No. 2**

The Notice of Examination was presented to the examinee on April 21, 2005 which outlined the scope of the examination.

**Finding No. 3.**

The Market Conduct Examination was conducted pursuant to Alaska Statutes (AS) §21.06.120, AS §21.06.080, AS §21.06.130, AS §21.06.140 and AS §21.06.150, in the Anchorage, Alaska office of Willis on May 19, 2005, to July 20, 2005. The data collection and verification process ended on September 12, 2005. The examination team consisted of Mr. Christian F. Ulmann, Examiner-in Charge, and Ms. Carol Harbeson, Market Conduct Examiner.

1  
2 Finding No. 4.  
3

4 A Report on the Market Conduct Examination of Willis in compliance with Alaska  
5 Statute and matters enumerated in the Notice of Examination was presented to the examinee on  
6 February 15, 2006, and filed with the Alaska Division of Insurance in accordance with AS  
7 21.06.150(b).  
8

9 Finding No. 5.  
10

11 Pursuant to AS 21.06.150(b), Willis was afforded the opportunity to respond to the  
12 Alaska Division of Insurance concerning matters contained in the Report on Market Conduct  
13 Examination. A response was received on March 20, 2006. Willis's response is appended, and is  
14 made a part of the examination report.  
15

16 Finding No. 6.  
17

18 The Director of Insurance has fully considered and reviewed to the extent that she  
19 considered necessary the Report on Market Conduct Examination, together with the written  
20 response of Willis, and any relevant portion of the examiner's work papers.  
21

22 Finding No. 7.  
23

24 The examination of Willis was conducted in accordance with applicable Alaska statutes.  
25 The report is a factual account of the findings of the examiners based on tests that determine  
26 compliance with Alaska statutes and regulations and supported with appropriate documentation.  
27

28  
29 **CONCLUSIONS OF LAW**  
30

31 Conclusion No. 1.  
32

33 The examination report was filed with the Division and transmitted to Willis in  
34 accordance with AS 21.06.150(b).  
35

36  
37 Conclusion No. 2.  
38

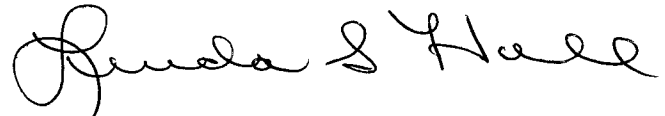
39 An order should be issued in accordance with AS 21.06.150(b), approving the  
40 examination report. Pursuant to AS 21.06.150(b), the Director of Insurance shall issue an order  
41 adopting the report.  
42  
43  
44

1 **ORDER**

2  
3 It is hereby ordered that pursuant to AS 21.06.150(b), the attached Report on the Market  
4 Conduct Examination of Willis (MCE P-05-03) dated February 15, 2006, is approved, and  
5 directed that Willis's response be appended, and made a part of the examination.

6  
7 This order is effective March 25, 2006,

8  
9 Dated this 25th day of March 2006, at Anchorage, Alaska

10  
11  
12  
13  
14 

15  
16  
17 Linda S. Hall, DIRECTOR  
18 DIVISION OF INSURANCE  
19  
20  
21

**STATE OF ALASKA  
DEPARTMENT OF COMMERCE,  
COMMUNITY AND ECONOMIC  
DEVELOPMENT**

**DIVISION OF INSURANCE**

**REPORT OF MARKET**

**CONDUCT EXAMINATION**

**OF**

**WILLIS OF ALASKA, INC.  
ANCHORAGE, ALASKA**

**MCE -P-05-03**



**Submitted by  
Christian F. Ulmann and Carol Harbeson  
Insurance Market Analysts**

**February 15, 2006**

**TABLE OF CONTENTS**

	<b>PAGE</b>
1) FINDINGS .....	ii
2) RECOMMENDED ACTIONS .....	iii
3) SCOPE OF EXAMINATION .....	1
4) COMPANY AND PRODUCTION PROFILE .....	2
5) METHODOLOGY .....	3
6) SAMPLE .....	3
7) MARKETING AND PLACEMENTS OF INSURANCE .....	3
8) CONTINGENCY FEES .....	4
9) USE OF BROKER’S FEE AGREEMENTS .....	5
10) FIDUCIARY DUTY .....	6
11) OVERBILLING OF CLIENT, OVERPAYMENT TO WHOLESALERS AND INSURERS .....	7
12) CONDITION OF FILES .....	8
13) COOPERATION .....	9
14) CERTIFICATION .....	10

## **FINDINGS**

The examiners made three findings. The support for those findings is located within the applicable sections.

### **FINDING ONE**

The Willis of Alaska marketing files reviewed were well documented concerning marketing efforts. The examiners determined that Willis of Alaska diligently searches the market and places coverage with the consumer's best interest in mind. The examiners found no evidence of improper actions concerning the placement of business with affiliate wholesalers. The examiners found no evidence of bid rigging or improper steering of accounts.

(See **MARKETING AND PLACEMENTS OF INSURANCE FOR CLIENTS**, Page 4)

### **FINDING TWO**

The examiners determined that Willis of Alaska did not breach fiduciary duties owed to clients, under the contracts entered into under AS 21.27.560. Willis of Alaska diligently disclosed the receipt of commissions and refunded and/or offset those commissions to their clients as stipulated in the contracts.

(See **FIDUCIARY DUTY**, Page 6)

### **FINDING THREE**

The examiners determined that, on two occasions, Willis of Alaska violated 3 AAC 23.560 by exceeding the required 31 business days to correct an overcharge to a client. The examiners consider these two incidents to be technical violations and did not find any evidence that they were intentional or indicative of a pattern of improper behavior.

(See **OVERBILLING OF CLIENT, OVERPAYMENT TO INSURER**, Page 7)

## Recommended Actions

### Recommendation # 1

It is recommended that Willis implement procedures and controls to assure that adjustments to estimated billings occur in compliance with 3 AAC 23.560.

(Page 7)

### Recommendation # 2

It is recommended that Willis implement procedures and controls to assure that copies of the wholesaler policy/access fee agreements be retained within customer files in compliance with AS 21.27.350.

(Page 8)

### Recommendation # 3

It is recommended, in accordance with AS 21.27.560 (see Bulletin 04-14), that Willis modify its standard invoice format in order to provide consumers with detailed itemizations of all charges billed in connection with their policy.

(Page 8)

### Recommendation # 4

It is recommended that Willis implement procedures and internal controls to ensure that all documents received are date stamped to comply with AS 21.27.350.

(Page 8)



DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

Division of Insurance

*Frank H. Murkowski, Governor*

*William C. Noll, Commissioner*

*Linda S. Hall, Director*

February 15, 2006

Ms. Linda S. Hall, CPCU  
Director, Division of Insurance  
Department of Commerce, Community,  
and Economic Development  
550 West 7<sup>th</sup> Avenue, Suite 1560  
Anchorage, AK, 99501-3567

Dear Ms. Hall:

Pursuant to Alaska Statutes (AS) §21.06.120, AS §21.06.080, AS §21.06.130, AS §21.06.140 and AS §21.06.150, the Alaska Division of Insurance performed a limited market conduct examination in the Anchorage, Alaska office of Willis of Alaska (Willis) on May 19, 2005, to July 20, 2005. The data collection and verification process ended on September 12, 2005. The examination team consisted of Mr. Christian F. Ulmann, Examiner-in Charge, and Ms. Carol Harbeson, Market Conduct Examiner. The examiners are employees of the Alaska Division of Insurance.

**Willis of Alaska, Inc.**  
**(Willis)**

**MCE-P-05-03**

**SCOPE OF EXAMINATION**

This Market Conduct Examination was initiated in part by the recent attention given by the NAIC and other states to the issues of illegal bid rigging and the steering of business through the improper use of contingency fees. In response, the NAIC established a 13 state Executive Task Force on Broker Activities. This task force initiated a coordinated effort by all states to assess and address the issues raised by a New York state investigation of the industry. Alaska initiated this review in conjunction with the NAIC Executive Task Force efforts to investigate whether, and the extent to which, this practice is found among the various states. Additionally, the states of California and New York initiated independent probes into the same issues.

The Alaska Division of Insurance initiated a review on November 9, 2004 referred to as Phase 1. This examination is the continuation of this inquiry as Phase 2.



## **Purpose and Description**

The purpose of this targeted Market Conduct Examination was to see if illegal bid rigging, improper steering of business, or any other breach of fiduciary responsibility had occurred in Alaska by the examinee.

## **Time Frame**

The examination review covered Willis' operations on Alaska business from January 1, 2001 through November 31, 2004.

## **COMPANY & PRODUCTION PROFILE**

### **Willis of Alaska**

The examiners were provided with the following description of Willis on June 20, 2005 from Mr. Andrew M. Wasserman, Vice President and Assistant General Counsel with Willis:

*“Willis Group Holdings Limited is the ultimate holding company for the Willis Group which traces its history to 1828. Willis is one of the largest insurance brokers in the world. Willis Group Holdings Limited was incorporated in Bermuda on February 8, 2001 as an exempted company under the Companies Act 1981 of Bermuda, as amended, for the sole purpose of re-domiciling the ultimate parent company of the Willis Group (comprised of TAI Limited and subsidiaries) from the United Kingdom to Bermuda. Willis North America Inc. was incorporated in Delaware on December 20, 1928 and is a subsidiary of Willis Group Limited, which, in turn, is an indirect subsidiary of Willis Group Holdings Limited. Willis North America is a holding company for the operations of numerous subsidiaries in North America which are licensed insurance brokers. Willis North America's principal executive offices are located at 7 Hanover Square, New York, New York 10004, and its telephone number is (212) 344-8888. Willis of Alaska, Inc. was incorporated in Alaska on December 9, 1988. It is an indirect wholly-owned subsidiary of Willis North America Inc. and a licensed insurance broker with its principal offices in Anchorage, Alaska.”*

Willis of Alaska, Inc. is licensed in Alaska and holds firm license #26307 for the Anchorage office and #26306 for the Fairbanks office, for all lines including surplus lines. The Anchorage office is the main office for Alaska and the Fairbanks office operates as a field office. The CEO of Willis of Alaska, Mr. David Hale, is located in Fairbanks and splits his time between the two offices.

The customers are handled with a team approach. Each account is assigned an account executive, who serves as the team leader. The teams also include an account manager and other support staff to service the account. The team approach provides a customer with several staff contacts.

Premium payments, as well as premium refunds and all revenue, are processed through a Regional Accounting Center (RAC) in the State of Washington.

## **METHODOLOGY**

During this examination, the examiners conducted interviews with Company staff, reviewed materials (including procedure manuals), and reviewed files. Willis uses primarily paper files to store policy records, the exception being Willis' accounting records which are in electronic format. The examiners had full and immediate access to all policy records. The examiners were provided printouts of accounting records upon request.

The examiners provided Willis with verification sheets identifying policies and/or issues requiring additional information and/or clarification. Willis was afforded the opportunity to either agree with or dispute the findings contained in the verification sheets, and none were disputed in their final form. All statements made in this report are supported by the collected data and verification sheets.

On September 12, 2005, Willis provided the final document requested in the field work segment of the examination. Analysis of the data collected at the exam site and correspondence with Willis thereafter justified closure of the fieldwork phase (phase 2) of the examination on October 31, 2005.

## **SAMPLE**

Willis' consumer files are all hard copies and primarily retained in either the Anchorage or the Fairbanks office. Willis provided the examiners with the hard copies of the files requested. All requested files were limited to Alaskan risks. They included admitted as well as non-admitted placements. The sampling was based on accounts with fee agreements and high premiums. Of the selected files, all property and casualty placements, including surety placements, were reviewed. A total of 24 account files were reviewed. These account records consisted of voluminous documents, and due to storage constraints, Willis contracts with an off-site storage facility to maintain these larger files. Therefore, some of the requested records were not on-site during the initial part of phase 2. However, Willis' storage contractor retrieved them in a timely manner for subsequent review by the examiners.

## **MARKETING AND PLACEMENTS OF INSURANCE FOR CLIENTS**

The Willis of Alaska marketing efforts are well documented in the files. They consistently describe the markets contacted, the responses received, subsequent discussions with those markets, consultation with clients, the market selected, and reason for the selection.

Therefore, Willis of Alaska demonstrated that they market all accounts extensively without regard or preference for their relationships with affiliated wholesalers. The examiners concluded that Willis of Alaska diligently searches the market and places the coverage with the consumer's best interest in mind.

The examiners noted that employees of Willis of Alaska were encouraged to use the affiliated wholesaler, Stewart Smith, whenever possible, over other non-affiliate wholesalers. For certain insurance lines, Stewart Smith's expertise in relevant markets made them a natural and best choice for the client. In cases where the use of Stewart Smith was not in the best interest of the client, Willis producers were directed to receive an exception from upper management not to use Stewart Smith. The exceptions were received both verbally and by e-mail. However, these *requests* were not always initially documented; but, if the exception was granted verbally, then the marketing files were documented with the rationale for not using Stewart Smith.

Further, Willis producers were directed to check the financial strength of the insurance company to be used via the SIGNET system – the Willis financial security placement system. Within the SIGNET system, the Willis producer was able to discern if the company being considered was an A.M. Best ‘A’ rated company. If the insurance company was not ‘A’ rated, the producer had to obtain permission from upper management prior to coverage placement. Additionally, to fulfill their fiduciary responsibility and to provide proper disclosure, Willis obtained the client’s signature, giving Willis permission to use the selected company.

The examiners determined that the Willis of Alaska staff did not place Willis’ income goals above the client’s best interests. Larger fees and/or contingency fees were not the primary consideration for placing business with Stewart Smith. Additionally, choosing a non-affiliate wholesaler had no direct financial impact on Willis producers.

### **FINDING ONE**

**The Willis of Alaska marketing files reviewed were well documented concerning marketing efforts. The examiners determined that Willis of Alaska diligently searches the market and places coverage with the consumer’s best interest in mind. The examiners found no evidence of improper actions concerning the placement of business with affiliate wholesalers. The examiners found no evidence of bid rigging or improper steering of accounts.**

## **CONTINGENCY FEES**

Contingency fees are additional commissions paid by some insurers to brokers. Their receipt is dependent on the total profitability of the broker’s book of business, volume of the book, and often requires year over year increases in the amount of new business written. As their name implies, contingency fees are never guaranteed and are often calculated in consideration of the loss and profit histories from prior years. Therefore, the broker does not know the amount of a contingency fee until the insurer finalizes its profit calculation. Contingency fee calculations rest solely with the insurer. The insurer will, in most cases, not identify a specific account which contributed to its profitability. The conditions for receiving a contingency fee are described in a contract between the insurer and the broker. Contingency fee commissions are not universally offered by all insurance companies, and they vary by the line of business.

For the exam period, Willis received approximately \$1.3 million in contingency fees, either directly from the insurers or, in a very small part, as an over-ride to their New York office for business produced in Alaska.

Every contingency fee agreement reviewed by the examiners contained loss ratio requirements. No agreement was based solely on volume.

The examiners reviewed insurance placements with insurers and wholesalers with whom a contingency fee arrangement was in place. Furthermore, the examiners reviewed the disclosure of contingency fees addressed under the fiduciary duty section of this report. As of October 21, 2004 and worldwide by no later than December 31, 2004, Willis of North America was no longer accepting any contingency fees and had returned contingency checks back to insurers and wholesalers.

## USE OF BROKER'S FEE AGREEMENTS

Willis of Alaska provides services to a substantial number of municipalities, school districts, Alaskan Native corporations, and other public entities. Consequently, Willis is compensated by those customers through a broker's fee agreement rather than by traditional commission. For the years in question, the examiners found that the number of broker fee agreements in place ranged from a low of 129 to a high of 463. Due to the nature of its clientele, the broker fee agreements differ from each other, as in many cases, the customers use their own conditions and terms to generate these agreements. Most agreements provide a defined amount to be paid by the consumer for defined services and duties to be provided by the broker. The broker agrees not to obtain a commission and to offset or reimburse a portion of the broker's fee by the amount of any commissions received. Alaska Statute 21.27.560 and Bulletin 04-14 provides a legal framework and guidelines for the use of broker's fee agreements.

Often, certain lines of insurance, such as surety, fall outside of the fee agreement and the broker is authorized to retain commissions received. Most contracts were eventually modified with the disclosure referenced below. However, some older and specialized contracts were not modified to include this new disclosure language. According to a June 27, 2005, e-mail from a Willis attorney, the Willis Standard Service Agreement was modified on August 13, 2001, to include the compensation disclosure language quoted below:

### DISCLOSURE LANGUAGE:

*"Subsidiaries of Willis North America Inc. are members of a major international group of companies. In addition to the commissions received by us from insurers for placement of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties (some of which may be owned in whole or in part by our corporate parents or affiliates), may earn and retain usual and customary commissions for their role in providing insurance products or services to you under their separate contracts with insurers or reinsures. Additionally, it is possible that we, or our corporate parents or affiliates, may receive contingent payments or allowances from insurers based on factors which are not client-specific, such as the size or performance of an overall book of business produced with an insurer by us, our corporate parents or affiliates. Upon written request, we will provide information regarding the compensation received by us or by our corporate parents or affiliates."*

Since the abolition of contingent commission arrangements in North America on October 21, 2004 and worldwide by no later than December 31, 2004, this language is no longer used.

The examiners found that when Willis markets a client account with a broker fee agreement in place, Willis' Alaska staff was meticulous to request quotes that were "net of commissions."

There was only one exception identified:

Despite clear instructions to their affiliated wholesaler, Stewart Smith (regarding the terms of the broker fee agreements), there was a charge of 5% commission to the customer. While the local office did not profit from this action, it generated income to Stewart Smith and consequently to the Willis Group. The local Willis office could not resolve this matter.

The examiners also found a situation involving an Alaskan political sub-division whereby the fee agreement was so old and so ambiguous that it was impossible for Willis to determine if commissions obtained fell within or outside the fee agreement. The examiners brought this matter to Willis' attention. While the examiners were on-site, Willis contacted the client and provided a complete, clear and explicit explanation and disclosure concerning commissions received in excess of \$24,000. Willis produced a letter from the account's risk manager stating that Willis is authorized to retain the commission. In light of this authorization, and as the client appeared to be comfortable with the existing arrangement, the examiners concluded that Willis did not violate the broker's fee agreement by collecting those commissions.

## **FIDUCIARY DUTY**

The examiners focused on Willis' fiduciary responsibility to discern if Willis had satisfied all responsibilities due their clients with respect to the broker's fee agreements, contingency fees and disclosure of such. The examiners did not find any instances of contingency fees being disclosed to consumers. The main reason for this non-disclosure lies in the nature of the contingency fees received. These fees were not calculated per account, but were calculated based on the entire book of business for an insurer. The contingency fee checks did not show the name of any one client but always applied to the whole book of business that Willis produced for an insurer or wholesaler.

The examiners found that Willis showed a high level of attention to detail in dealing with their customers as shown by the way they handled account marketing where fee agreements were in place. The examiners did not find any cases where commission was retained for accounts requiring disclosure and/or refund/offset as required by their contracts under AS 21.27.560.

### **FINDING TWO**

**The examiners determined that Willis of Alaska did not breach fiduciary duties owed to clients, under the contracts entered into under AS 21.27.560. Willis of Alaska diligently disclosed the receipt of commissions and refunded and/or offset those commissions to their clients as stipulated in the contracts.**

## OVER BILLING OF CLIENTS, OVERPAYMENT TO WHOLESALERS

The examiners found two instances of over-billings and premium over-charges. These two instances involved consumers with active Willis broker's fee agreements who were billed for sums including commissions (in violation of the agreement), and in excess of the actual premium shown on the policy declaration pages. It was found that this was due to Willis billing practices, Willis was billing the consumer for the amount shown on the binder, prior to receipt of the invoice. This generated two situations where the client was over-billed and the wholesaler was overpaid. No corrections were made upon receipt of the invoice, which showed a lesser amount due, as the policy was issued net of commission. The wholesaler did not refund the overpayment back to Willis. After being notified by the examiners, Willis promptly sent refunds (totaling \$2,900) to the affected clients, with a letter of explanation. Willis' internal auditing system could not catch this problem. However, Willis never profited from the over-billings.

Willis is implementing procedures and controls to prevent this problem from recurring. From this point forward Willis will only bill after receipt of the invoice. Additionally, Willis is reviewing its files to identify other files that may have been affected and will make the appropriate refunds where applicable. Mr. Hale's September 12, 2005 e-mail stated:

*" . . . I have reviewed the files that have been billed of confirmation letters vs. binders and found no other corrections. We have changed the policy to bill of binder issued by the carrier and to check again with the policy issued."*

The examiners have obtained documentation that the refunds did occur. However, the adjustments to the billings exceeded 31 business days.

*Alaska Administrative Code, 3 AAC 23.560. Estimated billings, states:*

*"(a) If a licensee estimates a billing, and the estimate differs from the insurer's invoice, the adjustment of a licensee's estimated billing must occur within a reasonable amount of time, not to exceed 31 business days after the licensee's receipt of notice of actual billing.*

*(b) Failure to comply with (a) of this section is a violation of AS 21.27.350 and 21.27.360."*

### **FINDING THREE**

The examiners determined that, on two occasions, Willis violated 3 AAC 23.560 by exceeding the required 31 business days to correct an overcharge to a client. The examiners consider these two incidents to be technical violations and did not find any evidence that they were intentional or indicative of a pattern of improper behavior.

#### **Recommendation # 1**

The examiners recommend that Willis implement procedures and controls to assure that adjustments to estimated billings occur in compliance with 3 AAC 23.560.

## CONDITION OF FILES

Alaska Statute 21.27.350 requires Willis to document each action taken relating to insurance transactions. The documentation must contain all notes, paper, documents and similar material, and be in sufficient detail that relevant events, the dates of those events, and all persons participating in those events can be identified.

The examiners found documents and billings which show that wholesalers doing business with Willis of Alaska collected substantial amounts in "Policy/Access Fees" in addition to the premium for the insurance policy. Willis explained that their wholesalers require them to have a policy/access fee agreement signed by the consumer. During the review the examiners observed that none of the files reviewed contained a copy of the wholesalers broker's fee arrangement as required.

### **Recommendation # 2**

**It is recommended that Willis implement procedures and controls to assure that copies of the wholesaler policy/access fee agreements be retained within customer files in compliance with AS 21.27.350.**

The examiners observed that Willis of Alaska does disclose its various policy fees and expenses to the customer, by itemizing charges such as the policy premium, broker's fee, wholesaler policy/access fee, surplus lines taxes, inspection report fees, and other expenses. However, Alaska Statutes and Regulations require additional detail such as what the charge is for and who receives it. The Willis invoices lacked these additional details. Engineering fees, inspection fees, or other similar fees may not be described simply as broker's fees.

### **Recommendation # 3**

**It is recommended, in accordance with AS 21.27.560 (see Bulletin 04-14), that Willis modify its standard invoice format in order to provide consumers with detailed itemizations of all charges billed in connection with their policy.**

While not a primary focus of this examination, the examiners noted that Willis' documents are not consistently date stamped at receipt. This made the review more difficult as time frames are harder to establish. The date stamp provides sufficient detail regarding the dates of relevant events in the files and is needed to comply with AS 21.27.350.

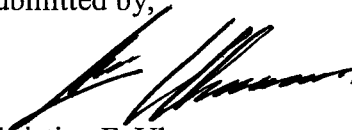
### **Recommendation # 4**

**It is recommended that Willis implement procedures and internal controls to ensure that all documents received are date stamped to comply with AS 21.27.350.**

## COOPERATION

Willis promptly responded to inquiries from the examiners during the phase 2 of the examination and provided all the necessary documentation. The examination team wishes to express their appreciation for the courtesy and the cooperation extended by Willis' personnel, especially Mr. David Hale and Ms. Jana Smith who provided consistent, patient help, and cooperation; thus, enabling the examiners to perform a thorough review of the data. Because of their timely cooperation, the examiners were able to shorten the fieldwork time.

Submitted by,



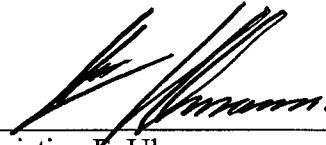
Christian F. Ulmann  
Examiner-in-Charge



**REPORT ON MARKET CONDUCT EXAMINATION CERTIFICATION**

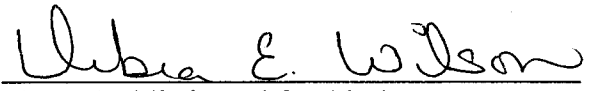
State of Alaska            )  
                                  ) ss.  
Third Judicial District )

Christian F. Ulmann, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.



\_\_\_\_\_  
Christian F. Ulmann  
Examiner-in-Charge

SUBSCRIBED and SWORN to before me this 15<sup>th</sup> day of February, 2006



\_\_\_\_\_  
Notary Public in and for Alaska  
My Commission Expires 11/5/2009

# Willis

Telephone: 907-456-6671  
Fax: 907-452-5214  
Website: [www.willis.com](http://www.willis.com)

Direct Line: 907-456-6671  
Direct Fax: 907-452-5214  
E-mail: [David.Hale@willis.com](mailto:David.Hale@willis.com)

March 20, 2006

Ms. Linda S. Hall, CPCU  
Director, Division of Insurance  
And Economic Development  
550 West 7<sup>th</sup> Avenue, Suite 1560  
Anchorage, AK 99501-3567

Dear Ms. Hall:

I have reviewed the market conduct examination conducted by Mr. Christian F. Ulmann and Ms. Carol Harbeson completed May 19, 2005.

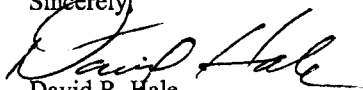
I agree with all findings except recommendation #3.

***“ It is recommended, in accordance with AS 21.27.560 that Willis modify its standard invoice format in order to provide consumers with detailed itemizations of all charges billed in connection with their policy.”***

**We do not have control over what a carrier or wholesaler does with the fee they charge. It is disclosed as a broker fee to the client and payment goes to carrier or wholesaler. We do not get a break down from them as to what they use the fee for. This should be a recommendation to them from the division.**

I would like to thank your team of Mr. Ulmann and Ms. Harbeson for making this a pleasant experience. They came in to our office and worked hard not to disrupt the office flow and could not have been more professional. It was a lot of work on both sides and both parties made it a positive experience.

Sincerely,



David R. Hale  
President & CEO  
Willis of Alaska, Inc.