

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED NATIONAL INSURANCE
COMPANY, DIAMOND STATE INSURANCE
COMPANY and UNITED NATIONAL
SPECIALTY INSURANCE COMPANY,

Plaintiffs,

v.

AON LIMITED, ALEXANDER HOWDEN
LIMITED and ALEXANDER HOWDEN
NORTH AMERICA, INC.,

Defendants.

CIVIL ACTION
NO. 04-CV-539 (LHP)

AMENDED COMPLAINT

Plaintiffs United National Insurance Company, Diamond State Insurance Company and United National Specialty Insurance Company (formerly Hallmark Insurance Company, Inc.) (collectively, "UNG"), by their attorneys, Margolis Edelstein and Chadbourne & Parke LLP, for their Amended Complaint against defendants Aon Limited, Alexander Howden Limited and Alexander Howden North America, Inc. (collectively, "Aon"), allege as follows:

NATURE OF THE ACTION

1. Plaintiffs bring this action seeking indemnification from Aon for (1) damages sustained by plaintiffs as a result of an arbitration award that partially rescinded the reinsurance obligations of Riunione Adriatica di Sicurta, S.p.A. ("RAS") to

UNG with respect to the Howden Contractors Program (defined below) due to Aon's conduct in soliciting RAS's participation as a reinsurer of UNG on that program, and (2) attorneys' fees and costs paid by plaintiffs in defending the arbitration initiated by RAS against plaintiffs (the "RAS Arbitration" or the "Arbitration") that was predicated on Aon's conduct in placing the reinsurance with RAS. Although plaintiffs had no active role in the placement of this reinsurance with RAS, UNG was, by operation of law, held legally responsible for Aon's actions because Aon acted as the reinsurance intermediary and broker on behalf of UNG in soliciting RAS's participation as a reinsurer on the program with respect to that part of the reinsurance relationship between UNG and RAS that was rescinded. Accordingly, plaintiffs are entitled to indemnification from Aon for the full amount of their damages resulting from the partial rescission of the reinsurance obligations of RAS to UNG. Likewise, plaintiffs are entitled to indemnification for the reasonable attorneys' fees and costs incurred by them in defending Aon's conduct in the RAS Arbitration. In the alternative, in the event that plaintiffs are found at trial to have been actively at fault in the placement of the reinsurance with RAS, which they were not, plaintiffs are entitled to contribution from Aon as a joint tortfeasor.

THE PARTIES

2. Plaintiff United National Insurance Company is an insurance company incorporated under the laws of the Commonwealth of Pennsylvania with its principal place of business in the Commonwealth of Pennsylvania.

3. Plaintiff Diamond State Insurance Company is an insurance company incorporated under the laws of the State of Indiana with its principal place of business in the Commonwealth of Pennsylvania.

4. Plaintiff United National Specialty Insurance Company (formerly Hallmark Insurance Company, Inc.) is an insurance company incorporated under the laws of the State of Wisconsin with its principal place of business in the Commonwealth of Pennsylvania.

5. Plaintiffs are part of the United National Group of insurance companies. They provide specialty and surplus lines property and casualty insurance.

6. Defendant Aon Limited is an insurance broker registered under the laws of England and Wales with its principal place of business in England. Aon Limited specializes in all classes of reinsurance broking and specialty and retail insurance broking, as well as risk management services and compensation and benefits consulting services. Aon Limited and its affiliates are, according to Aon Limited's public filings, the largest reinsurance broker in the world. Aon Limited was previously named Aon Group Limited and, prior to that, Alexander Howden Group Limited.

7. Defendant Alexander Howden Limited, a subsidiary of Aon Limited, is registered under the laws of England and Wales with its principal place of business in England. Alexander Howden Limited has placed reinsurance business in the London and international markets. At all times relevant to this Amended Complaint, Alexander Howden Limited acted as an insurance broker and reinsurance intermediary with respect

to the Howden Contractors Program, and it was the agent of Alexander Howden Group Limited, now known as defendant Aon Limited.

8. Defendant Alexander Howden North America, Inc. is incorporated under the laws of the State of New York with its principal place of business in the State of Illinois. Alexander Howden North America, Inc. has placed reinsurance business primarily in the North American market. At all times relevant to this Amended Complaint, Alexander Howden North America, Inc. acted as an insurance broker and reinsurance intermediary with respect to the Howden Contractors Program, and it was the agent of defendant Alexander Howden Limited, which in turn was the agent of Alexander Howden Group Limited, now known as defendant Aon Limited.

JURISDICTION AND VENUE

9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1332 in that it is a dispute between citizens of different states and in which citizens or subjects of a foreign state are additional parties, and the matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs.

10. Venue is proper in this district pursuant to 28 U.S.C. § 1391(a), (c) and (d).

FACTUAL BACKGROUND

The Alexander Howden Contractors and Allied Trades Insurance Program

11. In 1989, Aon created the "Alexander Howden Contractors and Allied Trades Insurance Program" (referred to herein as the "Howden Contractors Program" or the "Program") to provide insurance coverage to United States contractors and allied trades for risks arising out of residential and commercial construction projects.

12. From its inception, Aon produced the policyholder business covered by the Program, administered and managed the Program, and arranged for the insurance and reinsurance coverage.

13. Aon arranged for Assicurazioni Generali, S.p.A. ("Generali"), an Italian insurer and reinsurer with worldwide operations including operations in the United States, to be the direct insurer and therefore the issuer of the policies purchased under the Program. The business was generated by Aon through a network of retail and wholesale insurance brokers operating in the United States. The applications for insurance were submitted by Aon to Generali, which decided which risks to write. Generali policies were then issued to the risks that Generali agreed to write. Initially, a subsidiary of Aon handled claims on the policies in the Program. Beginning in 1991, Generali, through a U.S.-based third-party administrator ("TPA") named Gay & Taylor, took over the handling of claims. Aon, which incurred no insurance risk under the policies, received as a brokerage fee a portion of the premiums paid by the policyholders in the Program.

14. UNG played no role in establishing the Howden Contractors Program, and had no connection with the Program until 1991.

15. In 1991, Generali advised Aon that it would no longer issue its policies to companies located in California. Aon asked UNG to act as a policy-issuing company for the Program on risks written in California, with UNG to be 100% reinsured by Generali (that is, with UNG "fronting" for Generali) with respect to the policies issued in UNG's name. Aon held itself out to UNG as experienced, knowledgeable and expert in the role of reinsurance intermediary between insurers and reinsurers. UNG and Generali agreed to Aon's proposal. Although UNG became a direct insurer and therefore an issuer of the policies purchased under the Program, UNG had no role in deciding which risks would be accepted. Nor was UNG involved in the handling of claims made on those policies. The underwriting decisions continued to be made by Generali; and Generali, through its TPA, Gay & Taylor, continued to handle all claims on all policies, as had been the case when the policies were issued in Generali's name.

16. For the 1992 program year, Aon asked UNG to become a policy-issuing company for the Program in all states, not just California, with Generali to act as UNG's 100% reinsurer on all policies issued in UNG's name. UNG and Generali agreed, and for the 1992 program year UNG was a policy-issuing company on all Howden Contractors Program policies, with 100% of UNG's liability under these policies ceded to Generali as UNG's reinsurer. Again, UNG had no role in deciding which risks to accept, and it also had no role in handling the claims made on those policies. The underwriting decisions

continued to be made by Generali, and Generali, through its TPA, continued to handle all claims on all policies.

17. In addition to acting as a broker for the Howden Contractors Program and as an intermediary between UNG and Generali, Aon also acted as a reinsurance intermediary in soliciting the participation of other companies to act as retrocessionaires (or re-reinsurers) of a portion of Generali's liability for the Program risks. One of Generali's retrocessionaires on the Howden Contractors Program for the 1992 program year was C.E. Heath Casualty and General Insurance Company (subsequently known as HIH Casualty and General Insurance Company and referred to herein as "HIH"), an Australian insurance and reinsurance company. HIH participated as a reinsurer on several Aon programs, and in the 1992 program year took a 35% participation in the Howden Contractors Program as a retrocessionaire of Generali.

Aon Brings RAS on to the Howden Contractors Program

18. In early 1993, Generali decided to reduce and restructure its participation in all United States business, including its participation in the Howden Contractors Program. It advised Aon that for the 1993 program year it would no longer act as UNG's 100% reinsurer on the Program (with some of its liability retroceded to other companies) and that it would accept only a 20% net participation. HIH, which had acted as one of Generali's retrocessionaires in the 1992 program year, indicated that it wished to continue its participation in the Program and to increase its participation from 35% to 40%.

19. As a result of Generali's decision to reduce its participation in the Program, Aon had to find additional reinsurers for UNG who would assume the portion of the risk that Generali was relinquishing. Aon also attempted to reposition Generali's 1992 retrocessionaires, such as HIH, as UNG's reinsurers (along with Generali) for the 1993 program year.

20. When UNG informed Aon in early July 1993 that it would not accept HIH as a reinsurer on the Program, Aon approached RAS, an Italian-based company, to front for HIH with respect to the 40% line that HIH wished to write on the Program. Specifically, Aon proposed to RAS that RAS accept a 40% participation on the Howden Contractors Program as UNG's direct reinsurer and then retrocede (or re-reinsure) the entire 40% participation to HIH, in exchange for a fronting or servicing fee to be paid by HIH to RAS.

21. At the time that Aon solicited RAS's participation as a reinsurer on the Howden Contractors Program, Aon had done business with RAS as a reinsurance intermediary and broker for more than 20 years. It is customary practice in the reinsurance "broker market," in which Aon and RAS participated, for all material information concerning the business being reinsured to flow from the reinsured's broker to the prospective reinsurer. As a reinsurance intermediary and broker, Aon was in the business of supplying information about reinsurance risks for the guidance of prospective reinsurers such as RAS. Moreover, Aon, as the producer and manager of the Howden Contractors Program from its inception, had direct and detailed knowledge about the

history of the Program, the risks being written and the claims that had been asserted by the Program's policyholders. UNG, which had acted only as a fronting company for the Program, did not have such knowledge. Aon understood that prospective reinsurers such as RAS were relying on, and were entitled to rely on, Aon for complete, reliable and candid information regarding this business. RAS had not participated in the Program, and had no knowledge or information about the Program except for the information it received from Aon.

22. By virtue of the foregoing, including Aon's superior knowledge, information and expertise concerning the Howden Contractors Program and the particular risks to be assumed by RAS as a reinsurance participant in the Program, Aon and RAS had a special relationship. As a result of this special relationship, among other things, and even absent a contract between them, Aon owed a duty of care, full disclosure and utmost good faith to RAS, including, among other things, a duty to disclose every material fact and every circumstance that might reasonably influence RAS's judgment in deciding whether to take the risk and participate as a reinsurer in the Program.

23. In connection with the reinsurance placement process for the 1993 program year, Aon put together information on the Howden Contractors Program and prepared summaries of the premium and loss data for the earlier program years for distribution to potential reinsurers of UNG and to other participants in the Program. The information put together by Aon included information as to significant price discounts being given to policyholders and information as to the frequency of claims. In preparing

the premium and loss summaries, Aon contacted Generali's TPA, Gay & Taylor, for information on paid losses and loss reserves on claims that had been reported. During that process, Gay & Taylor provided Aon with a letter dated June 11, 1993, describing how the loss reserves on the reported claims were established (the "Loss Reserve Methodology"). That letter disclosed that Gay & Taylor was setting reserves for claims that had been reported at zero until Gay & Taylor had enough information to set a one-time indemnity or loss reserve that would not be subject to further adjustment.

24. Aon did not contact or solicit information from UNG in preparing premium and loss summaries and other information on the Program. Nor was UNG asked by Aon to review the premium and loss summaries or other information Aon prepared. UNG also did not receive a copy of the June 11, 1993 letter that Gay & Taylor had sent to Aon.

25. In soliciting RAS's participation in the Program as a front for HIH, Aon failed to exercise reasonable care and competence in obtaining information about the Program and then communicating it to RAS. Aon provided RAS with premium and loss summaries for the prior program years. Aon did not, however, provide RAS with the June 11, 1993 letter it had received from Gay & Taylor or with other information describing the Loss Reserve Methodology. The Gay & Taylor letter of June 11, 1993 was provided by Aon (either as part of a supplemental placement package or separately) to other companies that Aon approached to participate as reinsurers of UNG on the Program. Aon also did not provide RAS with any information with respect to the

premium discounts that policyholders on the Program had been receiving or with respect to the frequency of claims. Information on these premium discounts and on claims frequency was, however, provided (as part of a supplemental placement package) to other companies that Aon approached to participate as reinsurers of UNG on the Program.

26. On July 20, 1993, England-based representatives of Aon met with the RAS underwriter in Milan, Italy, to discuss RAS's participation in the Program. The premium and loss summaries on the earlier program years that Aon had compiled were forwarded by Aon to RAS in advance of the meeting. RAS's underwriter interpreted these summaries as showing that the Program was profitable.

27. At the conclusion of the July 20, 1993 meeting, RAS agreed to reinsure 40% of UNG's exposure as a "fronting line" for HIH, which meant that 100% of RAS's risk was to be retroceded to HIH. In addition, based on what it had been told by Aon, RAS agreed to reinsure 10% of UNG's liability for its own account (RAS's "retained line"), which meant that this exposure was not to be retroceded to HIH or to any other company.

28. On July 27, 1993, UNG was told by Am Re Managers, Inc. ("Am Re"), one of the companies that had evaluated the Howden Contractors Program in connection with deciding whether to participate as a reinsurer on the Program, that, in its view, the loss ratio on the liability section of the Program for 1990-1992 could eventually reach 200% or more and that policyholders on the Program were not being charged a sufficient premium. The next day, and again shortly thereafter, UNG provided this information to

Aon. Although Aon subsequently forwarded this information to Generali, it never communicated this information to RAS.

29. On July 28, 1993, Aon sent to RAS, in Italy, updated premium and loss figures for the Program. This updated information did not include information on the Loss Reserve Methodology, premium discounts or claims frequency that had previously been provided to other potential Program reinsurers, including Am Re.

30. On August 10 and 11, 1993, Aon asked the RAS underwriter to provide additional reinsurance for UNG that would not be retroceded to HIH or to anyone else--to go from a retained line of 10% to a retained line of 15%--and the RAS underwriter agreed.

31. At no point did UNG have any contact with RAS regarding RAS's possible participation as UNG's reinsurer on the Howden Contractors Program. Nor did UNG play any role in Aon's negotiations with RAS regarding RAS's participation in the Program. UNG was not aware until at or about the time that RAS commenced the Arbitration in 1999 that Aon had not provided RAS with the same information about the Howden Contractors Program that had been provided by Aon to other companies whose participation was solicited.

32. On August 25, 1993, England-based representatives of Aon went to Milan to meet with RAS to discuss RAS's participation in another Aon insurance program, and to pick up the final Howden Contractors Program placement documents signed on behalf of RAS. Prior to the formal meeting, RAS's underwriter met with Aon's representatives

at their hotel. At this meeting, RAS's underwriter told Aon's representatives that because of new underwriting restrictions at RAS, there could be a problem with RAS's future participation in Aon's programs. He told them that he could, however, find a way to overcome this problem if Aon would pay him a "special consideration"(in other words, a kickback) of approximately \$250,000. He gave them a slip of paper with the number of a Swiss bank account where he wanted the kickback money deposited.

33. Before Aon's representatives returned to London, the RAS underwriter gave them the Howden Contractors Program placement "booklet" for RAS's 55% participation in the Program signed on behalf of RAS by him and a second RAS employee.

34. In early October 1993, when the RAS underwriter had received no response from Aon regarding his kickback demand, he called one of the Aon representatives who had attended the August 25 meeting in Milan and reiterated his demand. Aon's senior management in England then contacted RAS's senior management in Italy to inform them of the kickback request, and a meeting in Milan was scheduled between executives from Aon and RAS for October 14, 1993.

35. UNG was never advised by Aon of the kickback request or of the October 14, 1993 meeting, or given the opportunity to reassess its continued relationship with RAS in light of these developments.

36. On October 14, 1993, England-based representatives of Aon's senior management met with RAS's senior executives in Milan. The meeting began with a

discussion of the kickback request, and it then turned to the Howden Contractors Program business that the RAS underwriter had previously accepted on behalf of RAS. (The next day, RAS's senior management confronted RAS's underwriter with the kickback allegations, and he promptly resigned.)

37. The RAS executives took the position that, because of the kickback demand, RAS was not bound by the RAS underwriter's commitment to reinsure UNG. After discussing the Program with the Aon representatives, however, the RAS executives agreed to consider RAS's taking a participation in the Program. Aon did not provide RAS's executives with updated loss information on the Program. RAS executives were also not provided with information concerning the Loss Reserve Methodology, or the premium discounts, or the frequency of claims, or advised that UNG had told Aon that one potential reinsurer, Am Re, believed it was possible that the loss ratio on the liability section of the Program for 1990-1992 could eventually exceed 200%. All of the foregoing facts that were either not disclosed or were incompletely disclosed by Aon to RAS were material and basic to the potential reinsurance transaction between UNG and RAS. Aon's failure to communicate material and basic information to RAS rendered the information that was communicated to RAS materially incomplete and misleading. In all of RAS's dealings with Aon with respect to the Howden Contractors Program, RAS justifiably relied on the representations made to it by Aon, and RAS justifiably relied on Aon for complete, reliable and candid information. RAS would not have agreed to reinsure UNG but for Aon's actions.

38. Shortly after the October 14, 1993 meeting, RAS agreed to continue its participation in the Program, but requested a reduction in both its fronted line and its retained line. Eventually, both RAS's fronted and retained lines were decreased. Effective September 2, 1993, RAS's retained line was reduced from 15% per claim up to \$1 million per claim to 15% per claim up to \$250,000 per claim. Effective April 1, 1994, RAS's fronted line was reduced from 40% to 24.2538% per claim up to \$1 million per claim, and its retained line was reduced from 15% to 14.5522% per claim up to \$250,000 per claim. RAS participated in the Program as a "quota share" reinsurer of UNG, which meant that on every UNG policy, contract or binder of insurance issued to a policyholder in the Program, RAS accepted a percentage share of UNG's liability based on RAS's percentage participation in the Program.

39. As part of Aon's realignment of the Howden Contractors Program for the 1993 program year, UNG agreed to take a net participation in the Program of 2.5% per claim up to \$1 million per claim. UNG briefly considered taking a larger line, but only if it was permitted to exercise control over the Program with respect to issues such as pricing and claims handling. Aon declined UNG's offer, preferring instead to maintain control over the Program.

40. Aon, which bore no insurance risk with respect to any aspect of the Program, received a brokerage fee for its role as the intermediary between UNG and RAS. This fee was over and above the fee that Aon received based on the premiums paid by the policyholders. Aon was additionally compensated for its role in arranging for

portions of RAS's risk to be retroceded to HIH. In or about 1993, the Howden Contractors Program was producing more than \$35 million a year in policyholder premiums and generating more than \$5 million a year in fees and commissions for Aon and its affiliates.

RAS Demands Rescission of Its Participation in the Howden
Contractors Program and Its Reinsurance Agreement with UNG

41. By the end of 1995, the losses on all years of the Howden Contractors Program had begun to rise. Partially in response to these losses, HIH stopped paying its share of losses on the Program. In September 1998, HIH sued RAS in Australia, seeking to avoid its retrocessional obligations to RAS based on alleged misrepresentations and omissions in the solicitation and placement of the Program. Shortly thereafter, RAS commenced an action against HIH in Italy. RAS subsequently obtained a dismissal of the action against it in Australia.

42. On October 15, 1999, RAS commenced an arbitration against UNG, seeking rescissionary damages. RAS sought to rescind its participation as a reinsurer of UNG on the Howden Contractors Program based on alleged material misrepresentations and omissions in the solicitation for, and placement of, the Program. In January 2000, RAS separately sued Aon in Italy, seeking damages for Aon's alleged breaches of duty to RAS in connection with the Program. That lawsuit is still pending.

43. In the Arbitration against UNG, RAS alleged that the Program was both placed and managed by Aon, as the agent of UNG, and that in the placement process Aon

represented to RAS that the Program was a very successful program with low loss ratios. RAS alleged that had it been correctly informed of the true loss experience for the Program, it would not have agreed to participate. RAS also alleged in the Arbitration that Aon failed to provide RAS with all available material information necessary for RAS properly to evaluate whether to participate in the Program, including (a) supplemental placement materials that were provided to other reinsurers but not to RAS; (b) Gay & Taylor's loss-reserving practices on the Program; (c) Am Re's views about the Program; and (d) updated information on the performance of and prospects for the Program that became available during the placement process and would have caused RAS to decline to participate in the Program. RAS further alleged that it was aggrieved by Aon's failure to inform RAS of its underwriter's requested kickback until after the negotiations over RAS's participation in the Program were essentially complete.

44. The reinsurance agreement between RAS and UNG provided for arbitration in Pennsylvania. A four-week arbitration hearing on RAS's claims was held in Philadelphia in July, August and September 2002. It was this Arbitration that fixed the liability for which plaintiffs now seek indemnification or contribution.

45. UNG had notified Aon of the RAS Arbitration and of the claims therein after it was commenced; had told Aon that it would be responsible over to UNG for any and all damages and losses incurred by UNG in the Arbitration; and had asked Aon to participate in a resolution. Aon, however, denied responsibility and declined to participate. Plaintiffs were thereby forced to bear all of the legal expenses and other

costs, which totaled approximately \$6,700,000, defending Aon's actions in soliciting RAS's participation on the Howden Contractors Program.

46. On October 11, 2002, plaintiffs received a copy of the final Arbitration Order and Award (the "Award"), which was dated October 1, 2002. The Award partially granted RAS its rescissionary damages and permitted RAS to rescind its reinsurance agreement with UNG for that part of its participation in the Program that RAS had retained for its own account, but denied RAS's request to rescind the portion of RAS's participation that RAS had fronted for HIH.

47. As a result of and in order to satisfy the Award, UNG had to pay millions of dollars in damages to RAS. Specifically, UNG was required to pay RAS the amounts that RAS had previously paid to UNG for RAS's share of losses and loss adjustment expenses on claims made under the policies issued in UNG's name. In addition, because of the Award, UNG has been, and will continue to be, barred from recovering from RAS additional amounts that, but for the Award, RAS would have had to pay to cover its share of losses and loss adjustment expenses on its rescinded participation in the Program. Thus, shortly after the issuance of the Award, UNG paid damages to RAS of \$13,447,786 (calculated as \$16,478,308 in paid losses and loss adjustment expenses minus \$3,030,522 for the reinsurance premium previously paid to RAS), comprising RAS's share of losses and loss adjustment expenses through September 30, 2002, the day before the Award was rendered. Between October 1, 2002 and September 30, 2004, UNG paid additional damages totaling \$2,020,141 in actual losses and loss adjustment expenses that would

have been paid by RAS but for the Award. Still further damages are the amounts that UNG has reserved to cover future payments by UNG of losses and loss adjustment expenses that would have been paid by RAS but for the Award. As of September 30, 2004, those reserves totaled \$4,039,952. Thus, as of September 30, 2004, UNG's damages totaled approximately \$19,507,879 (not including UNG's approximately \$6,700,000 in legal fees and not including interest on all of UNG's damages and losses). UNG has satisfied all of its obligations to RAS under the Award.

COUNT I
(For Indemnification)

48. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 47 of this Amended Complaint as if fully set forth herein.

49. UNG has satisfied its obligations to RAS under the Award.

50. As UNG's intermediary, Aon owed UNG a duty to perform its professional services with reasonable care, skill, judgment and competence, and in accordance with Aon's agreement with UNG that Aon would properly perform its role as a reinsurance intermediary. As UNG's intermediary, Aon was to be and was responsible for all aspects of the reinsurance placement and negotiations that led to RAS's decision to participate as UNG's reinsurer in the Howden Contractors Program. Accordingly, a legal relationship existed between UNG and Aon that was sufficient to make UNG liable, by operation of law, for certain of Aon's actions.

51. Aon likewise owed RAS a duty to perform its professional services with reasonable care, skill, judgment and competence. This duty of care arose, among other things, from Aon's role as the agent of UNG; from Aon's pervasive role in the Howden Contractors Program such that Aon was the sole provider of the information on which RAS based its decision to participate in the Program; from Aon's superior knowledge, information and expertise concerning the Program and its risks; and from the special relationship that Aon enjoyed with RAS based on, among other things, their prior dealings with each other and on Aon's dominant and controlling role in the creation, maintenance and operation of the Howden Contractors Program.

52. Aon breached its duties both to UNG and to RAS. UNG, which was Aon's principal, was found in the Arbitration to be liable to RAS because of its agent Aon's conduct. Accordingly, UNG's liability to RAS was secondary to Aon's. If UNG was liable to RAS because UNG's agent, Aon, actually caused the damages and losses to RAS and/or failed to perform its legal obligations to RAS, then Aon is liable to UNG for such failures by Aon.

53. By reason of the foregoing, and based on Aon's active fault in the solicitation and placement of RAS's participation in the Howden Contractors Program, and also as a matter of fairness, justice and equity, UNG is entitled to indemnification from Aon for the full damages, losses and expenditures sustained, incurred and paid by UNG as a result of the Award, plus interest on these amounts.

54. UNG is also entitled to indemnification for its reasonable attorneys' fees and other costs incurred in defense of the RAS Arbitration, plus interest on these amounts.

COUNT II
(For Contribution)

55. Plaintiffs repeat and reallege the allegations contained in paragraphs 1 through 54 of this Amended Complaint as if fully set forth herein.

56. To the extent that plaintiffs may be found at trial to have been active tortfeasors, which they were not, their actions combined with those of Aon to produce a single injury to RAS, and the same damage, loss and harm to RAS, by reason of the fault of Aon. Aon's actions as UNG's intermediary responsible for all aspects of the reinsurance placement and negotiations were central to any omissions or other breaches of duty attributable to UNG.

57. Despite Aon's liability, plaintiffs have discharged to RAS the entire liability established by the RAS Arbitration without any payment by Aon.

58. By reason of the foregoing, Aon is obligated as a matter of fairness, justice and equity to contribute an equitable pro rata share of the liability to RAS that has been discharged by plaintiffs, plus interest on this amount.

59. UNG is also entitled to contribution for its reasonable attorneys' fees and other costs incurred in defense of the RAS Arbitration, plus interest on these amounts.

WHEREFORE, plaintiffs demand judgment against defendants as follows:

(1) On Count I, awarding plaintiffs indemnification from defendants in the amount of the damages, losses and expenditures plaintiffs have sustained, incurred and paid to date by reason of the rescission of RAS's reinsurance obligations to plaintiffs as provided by the Award, together with interest on these amounts, and declaratory relief requiring defendants to compensate plaintiffs for all future damages, losses and expenditures to be sustained, incurred and paid by reason of the Award;

(2) On Count I, awarding plaintiffs indemnification from defendants in the amount of the reasonable attorneys' fees and other costs paid by plaintiffs in defense of the RAS Arbitration, which required plaintiffs to defend defendants' actions, together with interest on these amounts;

(3) On Count II, and as an alternative to indemnification, awarding plaintiffs contribution from defendants as joint tortfeasors responsible for their equitable share of the liability imposed on plaintiffs by the RAS Arbitration, together with interest on that amount, and declaratory relief requiring contribution to plaintiffs for all future damages, losses and expenditures to be sustained, incurred and paid by reason of the Award;

(4) On Count II, awarding plaintiffs contribution from defendants in the amount of defendants' equitable share of the reasonable attorneys' fees and other costs paid by plaintiffs in defense of the RAS Arbitration, together with interest on these amounts;

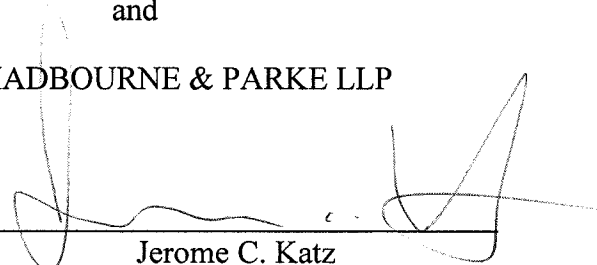
(5) Awarding plaintiffs their attorneys' fees and costs in prosecuting this action; and

(6) Awarding plaintiffs such other or further or different relief as to the Court may seem just and proper.

Walter J. Timby, III (Attorney I.D. No. 23894)
MARGOLIS EDELSTEIN
The Curtis Center
Fourth Floor
Independence Square West
601 Walnut Street
Philadelphia, Pennsylvania 19106
(215) 922-1100

and

CHADBOURNE & PARKE LLP

By  _____
Jerome C. Katz

30 Rockefeller Plaza
New York, New York 10112
(212) 408-5100

Attorneys for Plaintiffs

Dated: November 19, 2004