

# Addendum – Market-Derived Income

As noted in the General Terms of Business, in the course of its broking activities, WTW and other WTW Companies may receive revenue from insurers which is in addition to any fees or commissions WTW may receive from placing the Client's insurance cover. This revenue is known as Market-Derived Income ("MDI"). Arrangements with insurers which generate MDI to WTW cover a range of services provided by WTW to insurers such as those under binding authorities, managing general agency and lineslips. They also include service agreements with certain insurers in order to assist the development of insurance products for the benefit of our clients, and other forms of contingent or supplemental compensation. All MDI is subject to independent review within WTW to ensure it meets standards and controls to address conflicts of interest. Primary forms of MDI include:

## Aerospace Analytical and Data Services

The Aerospace Division within WTW has developed certain aggregated and anonymised analytical and data services relating to selected lines of aerospace business which are provided to participating insurers with whom WTW has service agreements. The services aim to enhance participating insurers' understanding of the type and nature of the risks written on the selected aerospace lines of business, thereby allowing insurers to better understand the needs of their aerospace clients.

Participating insurers will pay WTW a fee for providing the aggregated and anonymised analytical and data services. This fee will be equal to or less than 5% of the net premium cost (calculated as gross premium charged less gross commission earned) for placements made on the agreed lines of business. If the Client requires further information about the fee paid by insurers for this arrangement, the Client should speak to their WTW Account Executive.

## Brokerage on Fee Business

In some territories outside of North America, WTW obtains brokerage on business where WTW is paid a fee by the Client. WTW's intention is to seek remuneration for work that WTW carries out for all parties in the insurance transaction but for which WTW is not otherwise sufficiently compensated. Some examples of this are the vastly increased cost of regulation, distribution and infrastructure costs. This brokerage that WTW receives is a set percentage and is not contingent on achieving any level of growth, retention or profit on the business concerned. The Client can choose to exclude current and future placements from being included in this form of insurer agreement.

## Contingent Compensation

WTW may accept certain forms of contingent or supplemental compensation in locations where they are legally permissible and meet standards and controls to address conflicts of interest. Because insurers account for contingent payments when developing general pricing, the price Clients pay for their policies is not affected whether WTW accepts contingent payments or not. If the Client prefers that WTW not accept contingent compensation related to the Client's account, WTW will request that the Client's insurer(s) exclude the Client's current and future business from any contingent payment calculations for WTW.

## Facility Administration Charges and Profit Commissions

WTW operates a number of "facilities" (binders, lineslips, programs, managing general agencies and other arrangements) under which WTW undertakes a number of tasks for insurers. Some of those tasks

are purely for the benefit of WTW's clients, others are services that an insurer would be expected to perform, and others relate to provision of information and non-specific analytics to support the insurers' underwriting and/or management of the business. As standard practice, WTW's remuneration will reflect this multi-beneficiary approach and it is more likely than not that WTW will receive what is known as a facility administration charge from the insurer that covers the cost of these activities for the insurer. A facility administration charge is additional to the fee or brokerage that WTW receives for placement and other services to clients.

In a very limited number of cases, a portion of WTW's remuneration may be driven by the underwriting profitability of a facility, a so called "profit commission". However, because relevant business relating to profit commissions is grouped together, it is not possible to determine the extent to which the profitability of a book is affected by any single client.

## **FINMAR, MarineMar and TerrorMar ("Mar Arrangements")**

Business lines within WTW which operate Mar Arrangements have separate teams that provide a wide range of services direct to certain insurers that place business for the Mar Arrangement relevant to that business line. A separate fee is paid by insurers, depending on the scale of services provided to the insurer. Insurers have agreed that they will bear this fee as part of their operating costs and not to increase premiums directly payable by WTW's clients.

## **Panels**

WTW develops panels of insurers in certain market segments. Participating panel insurers are reviewed on a variety of factors. Commission rates on panel placements may be higher than rates paid on business placed outside of the panel process. WTW discloses its commission rates to clients on quotes obtained through the panel process prior to binding the coverage. WTW will provide the Client with additional information on WTW panels upon request.

## **Risk Engineering Services**

WTW may provide professional risk engineering services to insurers in connection with the placement of the Client's risks in certain lines of business. The purpose of these services is to provide an objective analysis of the Client's risk profile for insurers. WTW will be remunerated by the Client's insurers for the provision of these engineering services. If engineering services are provided on the Client's placement, the Client will be provided with information about WTW's remuneration in the documentation issued to the Client.

## **Subscription Market Brokerage**

WTW may receive Subscription Market Brokerage in its core specialty businesses that place business into the subscription markets. The principles underlying this Subscription Market Brokerage program include the following:

- (i) WTW is required to handle increased infrastructure costs such as those arising from presentations to and negotiations with multiple entities in the subscription market;
- (ii) WTW performs additional administrative, regulatory, accounting and support functions in order to complete subscription market placements. These functions benefit our clients and insurers; and

- (iii) working groups of insurers in the subscription market recognize these additional costs and agree that a negotiated percentage of the premium to account for these costs is appropriate and helps assure competitive access to that market.

WTW believes that the best way to defray the cost of these functions is through this brokerage. WTW will disclose the receipt of Subscription Market Brokerage to the Client. The Client can choose to exclude its current and future placements from being subject to Subscription Market Brokerage.

### **Work Transfer Services (Third Party Administration Services)**

In certain circumstances, WTW will have entered into agreements to undertake work on behalf of insurers for which WTW will receive remuneration from the insurer. The work undertaken by WTW under these agreements is usually performed by the insurer, however transferring these activities to WTW leads to administrative efficiencies for the insurer. WTW will advise the Client should WTW receive this type of remuneration in the course of servicing the Client's business.

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