

Performance Bonus Plan

This schedule of Performance Bonus Plan supersedes any previous schedule. In consideration of the agent's compliance with all terms and conditions of the Agency Agreement, the Company will, in addition to commissions payable, pay the agent a Performance Bonus based on the net underwriting profit realized each calendar year on all the combined Property & Casualty business produced by the Agency for the Company.

The Company and the Agent agree as follows:

1. **ELIGIBILITY:** The agency shall become eligible for the Profit Sharing Plan in each calendar year in which the net written premiums written by the agency for the company equal or exceed \$500,000 on all GuideOne products and any other company approved products.
2. **SHOCK LOSS PROVISION:** Effective 01/01/2017, the maximum loss charged to "Incurred Losses" for a profit sharing year will be \$1,000,000 on any one claim occurrence and subsequent activity for a Commercial Lines Loss. For claim occurrences prior to 01/01/2017, the maximum loss charged to "Incurred Losses" is \$500,000 for a Commercial Lines Loss. The maximum loss charge to "Incurred Losses" for a profit sharing year will be \$250,000 on any one claim occurrence and subsequent activity for a Personal Lines Loss.

Previous shock credits applied may be increased or reduced on a claim in a subsequent calendar year if claims activity is increased above or decreased below the shock thresholds as outlined above.
3. **PROFITABILITY (LOSS RATIO) BONUS:** The incurred loss percentage will be calculated for each preceding two-year period and must not exceed 54%. The computation of the bonus formula must result in a positive figure and factors are multiplied against the latest year's earned premium. There is no interpolation between loss ratio ranges.
4. **NEW BUSINESS GROWTH BONUS:** The ratio of current year new business premium to prior year written premium will be the basis for calculation of the agency's net growth percentage. New Business Growth Bonus will not be applicable if the profitability bonus is not earned.
5. **AGENCY SALE OR MERGER:** If the Agency is sold or is involved in a merger, the purchaser or the merged agency entity shall assume the premiums and the incurred losses from the current and prior years of the Agency. Any division of the additional commission between the seller and purchaser or parties to the merger shall be their responsibility.
6. **TERMINATION:** The Performance Bonus Plan is not a part of the commission schedule of the Agency Contract, and these bonuses are subject to change upon written notice by the Company. In the event that an Agency Contract is cancelled, the Performance Bonus Plan shall cancel as of the date that written notice of termination of the Agency Contract is mailed. If the Performance Bonus Plan is cancelled prior to December 31, no bonus will be payable to the agent/agency for that year.
7. **COMPANY MODIFICATION FACTOR:** Due to the Company's desire to establish a maximum amount of Performance Bonus to be paid to all agents, the company may apply a Company Modification Factor to control the payout amount. The factor will be determined by the Company in its sole discretion and be applied equally to each agent's Performance Bonus calculation to determine the amount of Performance Bonus each agent will receive. The Company Modification Factor will be clearly noted on the Performance Bonus statement, if used.
8. **CATASTROPHE FACTOR:** A factor will be added to the profitability ratio (loss ratio) in the states of Alabama, Florida, Louisiana, Mississippi, North Carolina, South Carolina and Texas. The Catastrophe Factor is designed to cover a portion of GuideOne's reinsurance costs and to provide more equitable profitability results.
9. **PROFITABILITY BONUS LOCK-IN OPTION:** An Agent may elect to participate in the "Lock-In Option" Program. To be effective, the election must be made in writing to the Home Office Agency Department by October 31st of the bonus period in effect. This option will expire at the end of each bonus period and written notice to exercise this option must be received by October 31st of each bonus period.

If the Agent elects to participate in the Profitability Bonus Lock-In Option:

- A. Agent must meet the eligibility requirements as outlined in Item 1.
- B. The Lock-In loss ratio percentage must not exceed 54%.
- C. Company will use earned premiums, incurred losses, shock credit or debits and catastrophe factors as of 9/30 for the current ...bonus period (previous year plus 9 months of current year) to compute the Lock-In loss ratio percentage.
- D. The year-end current written premium and earned premiums will be used to compute the profitability bonus and applied to the ...profitability table outlined on form SA-15440.
- E. The New Business Growth Bonus is based on year-end current written premium.
- F. If the Agent exercises this Lock-In Option, the total Performance Bonus paid will be reduced by 15%.
- G. Any bonuses earned under the Lock-In provision will be paid in the same time frame as the regular Performance Bonus Plan. In the event the Agency Contract is cancelled, the Performance Bonus Plan, even if the Lock-In Option is elected, will terminate the date that written notice of termination is mailed. If the Performance Bonus Plan including Lock-In Option is cancelled prior to December 31st, no bonus will be payable to the agent/agency for that year.
- H. All other conditions as outlined in the Performance Bonus Plan (SA-15440) remain the same. (Example shown does not reflect ...Lock-In Option.)

The following definitions apply:

In calculating the Performance Bonus Plan, only the records of the company shall be considered and shall be deemed conclusive.

1. **EARNED PREMIUMS:** Those premiums for which, according to the Company records, the Company has provided coverage for a period of time already elapsed.
2. **INCURRED LOSSES:** Losses paid during a given year plus the reserves for unpaid losses at the end of that year, minus the reserves for ... unpaid losses at the end of the previous year. All losses used in bonus calculations include Paid Allocated Loss Adjustment Expense and ... Incurred But Not Reported losses.
3. **LOSS PERCENTAGE:** Total incurred losses minus incurred losses in excess of the shock loss provision, divided by earned premium.
4. **WRITTEN PREMIUM:** Direct Written Premium
5. **NEW BUSINESS:** Written Premium that is generated at the inception of a new policy, which the Company records as New Business.

Performance Bonus Plan

Profitability Table – Current Year Written Premium

Loss Percentage	\$500,000 to \$749,999	\$750,000 to \$999,999	\$1,000,000 to \$1,249,999	\$1,250,000 and above
17.0% or less	4.60%	4.90%	5.30%	5.70%
20.0% or less	4.20%	4.50%	4.90%	5.20%
23.0% or less	3.80%	4.20%	4.50%	4.80%
26.0% or less	3.50%	3.80%	4.10%	4.30%
29.0% or less	3.10%	3.40%	3.60%	3.90%
31.0% or less	2.80%	3.00%	3.20%	3.40%
35.0% or less	2.40%	2.60%	2.80%	3.00%
38.0% or less	2.00%	2.20%	2.40%	2.50%
41.0% or less	1.70%	1.80%	2.00%	2.10%
44.0% or less	1.30%	1.40%	1.50%	1.60%
47.0% or less	1.00%	1.10%	1.20%	1.30%
50.0% or less	0.60%	0.70%	0.80%	0.90%
54.0% or less	0.10%	0.10%	0.10%	0.20%
Over 54.0%	0.00%	0.00%	0.00%	0.00%

New Business Growth Table - Current Year Written Premium

Ratio of Current Yr. New Business to Prior Year Total WP	\$500,000 to \$999,999	\$1,000,000 to \$1,499,999	\$1,500,000 to \$2,449,999	\$2,500,000 and above
0.0% - 3.49%	0.00%	0.00%	0.00%	0.00%
3.5% - 4.9%	0.00%	0.00%	0.10%	0.20%
5% - 9.9%	0.40%	0.60%	0.80%	1.00%
10% - 14.9%	0.80%	1.20%	1.40%	1.60%
15% - 19.9%	1.40%	1.80%	2.00%	2.20%
20% - 24.9%	2.00%	2.40%	2.60%	2.80%
25% and higher	2.40%	3.00%	3.20%	3.40%

Example:

- Written Premium
- New Business Premium
- Earned Premium
- Incurred Losses
- Shock Losses
- Net Incurred Losses
- Net Loss Ratio (6.C / 3.C)

	A.	B.	C.
	Prior	Current	Prior & Current
1. Written Premium	580,000	630,000	
2. New Business Premium		60,000	
3. Earned Premium	560,000	610,000	1,170,000
4. Incurred Losses	325,000	250,000	575,000
5. Shock Losses	75,000	0	75,000
6. Net Incurred Losses	250,000	250,000	500,000
7. Net Loss Ratio (6.C / 3.C)			42.73%

Profitability Bonus

- Loss Percentage (row 7, col.C)..... 42.73%
- Profitability Bonus %..... 1.3%
(from Profitability Table based on 1.B from above)
- Profitability Bonus (9. X 3.B)..... \$7,930

New Business Growth Bonus

- Ratio of Current Year New Business Premium to Prior Year Written Premium (2.B / 1.A)..... 10.34%
- New Business Growth Bonus Percent
(from Growth Table based on 1.B from above)..... 0.80%
- New Business Growth Bonus (12. X 3.B)..... \$4,880
- Sub-Total Performance Bonus (10. + 13.)..... \$12,810
- Company Modification Factor (Sample 1.0)..... x 1.0
- Total Performance Bonus** **\$12,810**