

## **Dividend Plan for ANI Members**

1. The total funds to be paid to all members by ANI under this Dividend Plan in any year is called the Company-wide Dividend. Company-wide Dividend will be determined as a percentage of total gross written premiums for the calendar year ended three years prior to the most recent calendar year. For example, the Company-wide Dividend to be paid during the 2017-2018 policy year would be calculated as a percentage of the total gross written premiums for calendar year 2013. Company-wide Dividend amounts are declared by the ANI Board of Directors at its first regular board meeting of the calendar year and are at the complete discretion of the Board of Directors, and subject to approval by regulatory authorities.
2. The amount of any Company-wide Dividend will be announced in April and payable to members within 30 days of the member's subsequent annual policy renewal inception date from June 1 through the following May 31. Member Dividends are payable only as a credit against renewal premiums. Even if a member would have "earned" a dividend, there is no dividend paid if a member is not a member at the time payment would be made.
3. The portion of the Company-wide Dividend to be paid to an individual member in any year is called a Member Dividend. Member Dividend amounts will be determined by applying a **loyalty credit** (as defined below) and a **loss ratio credit** (as defined below) to each member's most recent **annual premium** (as defined below) to determine the member's Participation Credit. All Participation Credits are subject to a **pro-rata factor** (as defined below) to determine each Member Dividend.
4. Members with **loss ratios** (as defined below) exceeding 60 percent for the period are not eligible for Member Dividends for the period, regardless of any loyalty credits that may have accrued.
5. Members are eligible to participate in the Dividend Plan beginning the January 1 following three full policy years of continuous ANI membership.
6. The ANI Board of Directors reserves the right to change this Dividend Plan at any time, excepting only when the Company-wide Dividend has been declared and the dividend is only waiting to be paid.

### **Loyalty Credit**

A member will receive one credit for each full policy year of continuous coverage prior to and including the Dividend period, subject to a maximum of 10 points. For example, for the Member Dividend to be paid during the 2017-2018 policy year, a member whose first continuous policy

incepted in 2001 would receive the maximum of 10 loyalty credits; a member whose first continuous policy incepted in 2008 would receive 5 loyalty credits; and a member whose first continuous policy incepting in 2013 would not be eligible to receive a Member Dividend in the 2017-2018 year.

### **Loss Ratio Credit**

No loss ratio credit applies unless the member has completed six full policy years (allowing three years for loss ratio calculations and three years for loss development). Loss ratio credit is based on calculations for the three policy years ending three years prior to the end of the calendar year for which the Member Dividend is being paid. For example, for a Member Dividend to be paid in 2017, policy years to be considered for the loss ratio credit include all of the following years: 2010, 2011 and 2012.

The loss ratio is calculated by determining the ratio of gross losses paid and outstanding case and loss adjustment expense reserves per member for liability claims, excluding the umbrella portion of any claim (i.e., prior to any reinsurance recovery, but after deduction of self-insured retentions) to total annual premiums paid for all eligible policy years. The following credits apply to loss ratio ranges:

Loss Ratio Range	Credit
0-10%	10
10-20%	8
20-30%	6
30-40%	4
40-50%	2
Above 50%	0

### **Lapse**

A lapse is any period of time of six (6) months or more in which a member does not have a general liability policy in force with ANI. A lapse causes all accrued credits to be reset to zero and that member to be treated for purposes of this Dividend Plan as a new member with no prior history with ANI.

### **Mergers and Split Organizations**

In the case of organizations that merge or split with other organizations, all best effort will be made to apportion credits as equitably as possible. However, ANI management retains the final decision on how this Dividend Plan will be applied to these entities.

### **Annual Premium**

A member's annual premium for purposes of the calculation of their Member Dividend means the total of all liability gross written premium, excluding umbrella premium, for the policy year which expired prior to the calendar year ended three years prior to the most recent calendar year.

For example, the member’s gross liability premium used to calculate their share of their Member Dividend for the 2017-2018 policy year would be the liability policy premium, excluding umbrella premium, that member paid for their annual policy expiring in 2013.

**Pro-rata Factor**

The Pro-rata Factor for determining the Final Member Dividend is calculated by dividing the Company-wide Dividend amount declared by the ANI Board of Directors by the total of all Participation Credits possible for that year. Each member’s Participation Credit is the sum of each member’s Loyalty Credit and Loss Ratio Credit, multiplied by each member’s Gross Written Premium, and divided by 100. See example below:

EXAMPLE for Dividend of \$3 million declared in 2017

Policyholder Since	Loyalty Credit	Loss Ratio Credit	Total Credits	2012/2013 GWP	Total Participation Credits	Pro-rata Factor	Final Member Dividend
2010	3	0	3	\$ 10,000.00	300	0.535714	\$ 160.71
2005	8	8	16	\$ 6,000.00	960	0.535714	\$ 514.29
2003	10	4	14	\$ 150,000.00	21,000	0.535714	\$ 11,249.99
2011	2	0	2	\$ 6,000.00	120	0.535714	\$ 64.29
2016	0	0	0	\$ 0	0	0.535714	\$ 0
Rest of members				\$ 29,828,000.00	5,577,620		\$ 2,988,010.72
Total all members				\$ 30,000,000.00	5,600,000		\$3,000,000.00

Declared Dividend: \$ 3,000,000

Pro-rata factor: 0.535714 (3,000,000/5,600,000)

**Questions**

General Questions about the Dividend Plan may be referred to the ANI President, CEO or Vice President of Finance. Specific questions about a Member Dividend should be referred to the Vice President of Finance.