

**NOTIFICATION OF CHANGES TO THE NATIONWIDE INDEPENDENT AGENT  
COMMERCIAL LINES PROFIT SHARE PROGRAM**

**EFFECTIVE January 1, 2021**

Dear Independent Agent:

Attached is the updated document for Profit Share year 2021. Please retain this document for your file:

- **Nationwide Independent Agent Commercial Lines Profit Share Program**

Please contact your territory or sales manager should you have questions or wish to discuss further. Thank you for your continued efforts.

Sincerely,

Cathy Allocco Vice President, Small Commercial Lines Sales and Distribution

Linda Stueber, Vice President, Middle Market Sales and Distribution

NATIONWIDE INDEPENDENT AGENT  
COMMERCIAL LINES PROFIT  
SHARE PROGRAM

Nationwide independent agents have the opportunity to participate in the Nationwide Independent Contractor Independent Agent Commercial Lines Profit Share Program (“IA CL Profit Share Program”) which is intended to supplement the agreements of the parties set forth in their Independent Agency Agreement, Independent Contractor Agent Agreement and/or Agency/Company Agreement (hereinafter collectively “Agency Agreement”) effective **January 1, 2021**. The terms of the Agency Agreement, which are agreed upon and duly acknowledged by Company and Agent, are hereby incorporated into this IA CL Profit Share Program. Unless otherwise defined in this IA CL Profit Share Program, all capitalized terms contained herein shall have those meanings as set forth in the Agency Agreement.

1. **Profit Share.** Commercial lines profit share schedules for property and casualty insurance business placed by Agent with Company are attached hereto and incorporated herein by reference as Exhibits A and B, respectively. Should Company unilaterally: (a) amend its schedules or any part of the IA CL Profit Share Program at any time; or (b) terminate the IA CL Profit Share Program, Company shall provide notice of any such change or termination to Agent. Any such notice must be provided to Agent at least thirty (30) days prior to: (i) the beginning of the profit share year during which the change is to be effective; (ii) the date such change is effective; or (iii) the date the termination is effective.

A. Agent shall be ineligible to receive a Commercial Lines Profit Share payment for a particular calendar year unless Agent is active on December 31 of such year.

B. In the event Company terminates the IA CL Profit Share Program, a final Commercial Lines Profit Share calculation shall be made and a final Commercial Lines Profit Share payment shall be paid (if applicable) for the last month during the Calendar Year and Profit Share Year in which the termination notice is given but not prior to such time the final Commercial Lines Profit Share payment would have otherwise been calculated or paid had this IA CL Profit Share Program not terminated.

2. **Commercial Lines Profit Share.** To compensate Agent for exercising skill, caution, and diligence in the selection of commercial lines risks insured by Company, Company will pay Agent a Commercial Lines (“CL”) Profit Share (“Profit Share”) based on profit realized by Company on CL Policies as defined herein and written by Agent under said Agency Agreement. CL Profit Share shall be calculated using the following formula:

A. **Method and Formula.** A “Profit Sharing Year” is the accounting period extending from January 1 through December

31. The CL Profit Share payment shall be calculated annually as follows:

- 1) Identify CL Earned Premium.
- 2) Multiply CL Earned Premium by the applicable percentage from the CL Profit Share – Pay Factor Table (see Exhibit A). The result is the base amount.
- 3) Multiply the base amount by the applicable percentage from the CL Profit Share – Growth Multiplier Table (see Exhibit B) to determine Agent’s final CL Profit Share payment.

B. **CL DWP Eligibility.** Minimum of **\$500,000** in CL DWP as of December 31 of current PSY.

C. **Formula Definitions.**

- 1) A “**Profit Share Year**” (“PSY”) is the accounting period extending from January 1 through December 31.
- 2) “**CL DWP**” shall mean:
  - a) All premiums for the CL Policies bound and effective during the PSY;
  - b) All premium for the CL Policies returned to the Agent or the policyholder by the Company during the PSY;
  - c) All premium for the CL Policies placed with the Company by the Agent, but charged as uncollectible by the Company during the PSY; and

- d) All premium for the CL Policies placed with the Company by the Agent, but charged as uncollectible by the Company during the PSY; and
  - e) Shall exclude North Carolina recoupment fees.
- 3) “**YOY CL Growth**” shall mean CL DWP for the current CL PSY less CL DWP for the prior CL PSY, divided by the CL DWP for the prior CL PSY, and expressed as a percentage.
- 4) “**CL Capped Incurred Loss Ratio**” shall mean CL Incurred Losses plus CL Paid Allocation Loss Adjustment Expenses, subject to the applicable per occurrence CL Loss Cap, divided by CL Earned Premium for the CL PSY.
- 5) “**CL Earned Premium**” shall mean all CL DWP received and applied by the Company during the CL PSY, excluding all dividends.
- 6) “**CL Incurred Losses**” shall mean:
- a) All loss payments, subject to the CL Loss Cap, made during the CL PSY on account of any occurrence on the CL Policies;
  - b) Plus all changes made during the CL PSY in reserves for future loss payments, subject to the CL Loss Cap, on account of any occurrence on the CL Policies;
  - c) Less net salvage and subrogation and errors and omissions recovered.
- 7) “**CL Paid Allocated Loss Adjustment Expenses**” shall mean all expenses paid, subject to the CL Loss Cap, during the CL PSY that can be directly assigned to the investigation or settlement of claims on CL Policies placed with the Company by the Agent.
- 8) “**CL Loss Cap**” shall mean the maximum amount charged for any occurrence in calculating CL Incurred Losses plus Paid Allocated Loss Adjustment Expenses for the Plan. The CL Loss Cap per occurrence per product is \$350,000. By way of example, if an insured has a business owner policy and a general liability policy, the CL Loss Cap is \$350,000 with respect to the business owner policy and \$350,000 with respect to the general liability policy.
- 9) “**CL Policies**” for purposes of this IA CL Profit Share Program shall include all Company commercial general liability, commercial property, commercial auto, business owners policy, workers compensation, farm, commercial umbrella, commercial inland marine, crime, commercial package, bonds, surety, and any coverage endorsed to a policy from any of these lines of business placed with the Company by the Agent. Private Client (Crestbrook), flood and earthquake business placed with Company by Agent shall be excluded from the definition of CL Policies. Agent acknowledges and agrees that Company in its sole discretion may change or amend the list of Company CL Policies at any time.

[REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK]

**EXHIBIT A**

| <b>CL Profit Share – Pay Factor Table</b>    |                   |                                |                        |                        |              |
|--|-------------------|--------------------------------|------------------------|------------------------|--------------|
| <b>CL DWP</b>                                |                   |                                |                        |                        |              |
| <b>CL Capped<br/>Incurred Loss<br/>Ratio</b> | <b>&lt;\$500K</b> | <b>\$500K -<br/>\$999.999K</b> | <b>\$1M - \$2.999M</b> | <b>\$3M - \$4.999M</b> | <b>\$5M+</b> |
| <b>Less than<br/>20%</b>                     | 0%                | 4.0%                           | 5.0%                   | 6.0%                   | 7.0%         |
| <b>20% - 24.9%</b>                           | 0%                | 3.5%                           | 4.25%                  | 5.25%                  | 6.25%        |
| <b>25% - 29.9%</b>                           | 0%                | 3.0%                           | 3.5%                   | 4.25%                  | 5.25%        |
| <b>30% - 34.9%</b>                           | 0%                | 2.25%                          | 2.75%                  | 3.25%                  | 4.25%        |
| <b>35% - 39.9%</b>                           | 0%                | 1.25%                          | 1.75%                  | 2.25%                  | 3.25%        |
| <b>40% - 44.9%</b>                           | 0%                | .75%                           | 1.0%                   | 1.5%                   | 2.25%        |
| <b>45% - 49.9%</b>                           | 0%                | .25%                           | .75%                   | 1.0%                   | 1.5%         |
| <b>50% and<br/>greater</b>                   | 0%                | 0%                             | 0%                     | 0%                     | 0%           |

**EXHIBIT B**

| <b>CL Profit Share – Growth Multiplier Table</b> |                   |                            |                        |                        |              |
|--|-------------------|----------------------------|------------------------|------------------------|--------------|
| <b>CL DWP</b>                                    |                   |                            |                        |                        |              |
| <b>Growth Buckets</b>                            | <b>&lt;\$500K</b> | <b>\$500K - \$999,999K</b> | <b>\$1M - \$2.999M</b> | <b>\$3M - \$4.999M</b> | <b>\$5M+</b> |
| <b>30% and greater</b>                           | 0%                | 113%                       | 116%                   | 120%                   | 125%         |
| <b>20% - 29.9%</b>                               | 0%                | 110%                       | 113%                   | 116%                   | 122%         |
| <b>10% - 19.9%</b>                               | 0%                | 107%                       | 110%                   | 113%                   | 118%         |
| <b>0% - 9.9%</b>                                 | 0%                | 104%                       | 107%                   | 110%                   | 115%         |
| <b>-10% - &lt;0</b>                              | 0%                | 50%                        | 80%                    | 90%                    | 100%         |
| <b>Less than -10%</b>                            | 0%                | 50%                        | 70%                    | 80%                    | 90%          |