

**NOTIFICATION OF CHANGES TO THE NATIONWIDE INDEPENDENT AGENT
PERSONAL 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 Personal Lines Profit Share Program**

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

Sincerely,

Jeff Rommel
Senior Vice President, P&C Personal Lines Sales and Distribution

NATIONWIDE INDEPENDENT AGENT
PERSONAL LINES PROFIT SHARE PROGRAM

Nationwide independent agents have the opportunity to participate in the Nationwide Independent Agent Personal Lines Profit Share Program ("IA PL 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 PL Profit Share Program. Unless otherwise defined in this IA PL Profit Share Program, all capitalized terms contained herein shall have those meanings as set forth in the Agency Agreement.

1. **Profit Share.** Personal 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 1 and 2 respectively. Should Company unilaterally: (a) amend its schedules or any part of the IA PL Profit Share Program at any time; or (b) terminate the IA PL 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 Personal 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 PL Profit Share Program, a final Personal Lines Profit Share calculation shall be made and a final Personal 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 Personal Lines Profit Share payment would have otherwise been calculated or paid had this IA PL Profit Share Program not terminated.

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

A. Method and Formula.

A "Profit Sharing Year" (PSY) is the accounting period extending from January 1 through December 31. The PL Profit Share payment shall be calculated annually as follows:

- 1) Multiply PL DWP by the applicable percentage from the PL Profit Share – Pay Factor Table (see Exhibit 1). The result is the base amount.
- 2) Multiply the base amount by the applicable percentage from the PL Profit Share – Growth Multiplier Table (see Exhibit 2).

Each payment shall be accompanied by a statement prepared by the Company explaining the calculation. If the Agent owes the Company or any of its affiliates or subsidiaries any monies at the time of payment of the PL Profit Share payment, the Company may apply the PL Profit Share payment earned to that outstanding indebtedness.

B. PL DWP Eligibility. Minimum of **\$500,000** in PL DWP at end of the PSY.

C. Formula Definitions:

1) "**PL DWP**" shall mean:

- a. All premiums for the PL Policies bound and effective during the PSY;

- b. All premiums for the PL Policies bound and effective during the PSY;
 - c. All premium for the PL Policies returned to the Agent or the policyholder by the Company during the PSY;
 - d. All premium for the PL Policies placed with the Company by the Agent, but charged as uncollectible by the Company during the PSY; and
 - e. Shall exclude fees for which states require commissions to be paid including, but not limited to North Carolina recoupment fees and Michigan Catastrophic Association fees.
- 2) **“PL Capped Incurred Loss Ratio”** shall mean PL Incurred Losses plus PL Paid Allocated Loss Adjustment Expenses, subject to the applicable per occurrence PL Loss Cap, divided by PL Earned Premium for the PSY.
- 3) **“PL Earned Premium”** shall mean all PL DWP received and applied by the Company during the PSY, excluding all dividends.
- 4) **“PL Incurred Losses”** shall mean:
- a. All loss payments, subject to the PL Loss Cap, made during the PSY on account of any occurrence on the PL Policies;
 - b. Plus all changes made during the PSY in reserves for future loss payments, subject to the PL Loss Cap, on account of any occurrence on the PL Policies;
 - c. Less net salvage and subrogation and errors and omissions recovery.
- 5) **“PL Paid Allocated Loss Adjustment Expenses”** shall mean all expenses paid, subject to the PL Loss Cap, during the PSY that can be directly assigned to the investigation or settlement of claims on the PL Policies.
- 6) **“PL Loss Cap”** shall mean the maximum amount charged for any occurrence in calculating PL Incurred Losses plus PL Paid Allocated Loss Adjustment Expenses for Profit Share. The PL Loss Cap per occurrence per product is \$350,000. By way of example, if an insured has a Homeowners policy and an Umbrella policy, the PL Loss Cap is \$350,000 with respect to the Homeowners policy and \$350,000 with respect to the Umbrella policy.
- 7) **“YOY PL Growth”** shall mean PL DWP for the current PL PSY less PL DWP for the prior PL PSY, divided by the PL DWP for the prior PL PSY, and expressed as a percentage.
- 8) **“PL Policies”** for purposes of this IA PL Profit Share Program shall include all Company personal standard auto, home, personal umbrella, tenant, condominium, dwelling, fire, motorcycle, recreational vehicle, boat, inland marine and identity theft property and casualty insurance products placed with Company by the Agent. Private Client (Crestbrook), flood, earthquake, and nonstandard auto business placed with Company by the Agent shall be excluded from the definition of PL Policies. Agent acknowledges and agrees that Company in its sole discretion may change or amend the list of PL Policies at any time.

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Exhibit 1

PL Profit Share – Pay Factor Table						
PL DWP						
PL Capped Incurred Loss Ratio	<\$500K	\$500K- \$999.999K	\$1M- 2.999M	\$3M- \$4.999M	\$5M- \$9.999M	\$10M+
Less than 30%	0%	2.5%	3.25%	4.0%	4.5%	4.75%
30% - 34.9%	0%	2.0%	2.75%	3.25%	3.5%	3.75%
35% - 39.9%	0%	1.75%	2.25%	2.75%	3.0%	3.25%
40% - 44.9%	0%	1.25%	1.50%	1.75%	2.0%	2.25%
45% - 49.9%	0%	.50%	.75%	1.0%	1.25%	1.5%
50% - 54.9%	0%	.25%	.50%	.75%	1.0%	1.25%
55% - 59.9%	0%	0%	.25%	.25%	.50%	1.0%
Greater than 59.9%	0%	0%	0%	0%	0%	0%

Exhibit 2

PL Profit Share - Growth Multiplier Table						
PL DWP						
Growth Buckets	<\$500K	\$500K- \$999.99K	\$1M- 2.999M	\$3M- \$4.999M	\$5M- \$9.999M	\$10M+
15% and greater	0%	108%	112%	116%	121%	125%
10% - 14.9%	0%	106%	109%	112%	116%	120%
5.0% - 9.9%	0%	104%	106%	109%	112%	115%
0% - 4.9%	0%	102%	104%	106%	108%	111%
-4.9% - <0%	0%	75%	80%	85%	90%	95%
-9.9% - -5.0%	0%	55%	60%	65%	70%	75%
-14.9% - -10%	0%	50%	50%	50%	50%	50%
-15% and less	0%	0%	0%	0%	0%	0%