

Producer Compensation – Disclosure

Producer Compensation

The IAT Insurance Group of companies (hereinafter “us,” “we” or “IAT”) is proud to distribute our products through licensed independent insurance agents, brokers and managing general agents, commonly referred to as “producers.” We value, and customers rely on, producers’ trusted professional advice, risk management counsel and expertise in placing insurance coverage. These producers are typically not our employees and generally represent several of our competitors. IAT pays producers compensation to encourage them to sell our products, place profitable business with us and provide services to our policyholders. IAT is committed to providing transparency about the compensation we pay producers.

Depending upon the producer’s business relationship with us, the compensation paid is in one or more of three forms: standard or base commission, contingent commission and other or additional compensation. An overview of each of these forms of compensation is provided below.

IAT Insurance Group may provide producers, agency personnel, and customer service representatives with incentives for participating in sales and business development programs. These incentives may be in the form of cash or non-cash awards and may be based on factors such as the number of policies written, premium volume, quotes submitted, retention results, growth objectives, or other performance measures established by IAT.

Standard or Base Commission

When new or renewal policies are sold, we pay a fixed or predetermined commission to the producer. As most producers represent multiple insurance carriers, IAT pays Standard or Base Commissions that are market competitive. As required by law, these commission amounts are disclosed to, and approved by, the state insurance department in the state where you do business.

The amount of the commission is normally based on a percentage of the premium and is generally set prior to the sale (effective date) of the policy to which it applies. During the past year, our standard or base commissions ranged from 0 to 25% of premium depending on a variety of factors including the line of business, risk classification, whether the account is new or renewal, the services provided, the specific producer and the state where the risk is located. In instances where more than one producer may be involved in the placing of the insurance, such as when a wholesaler, aggregator, or managing general agency is involved, more than one producer may split a fixed commission or the fixed commission may be paid to more than one producer.

Agents and producers, in some states, may be allowed to charge a fee in addition to Standard or Base Commissions and the rules governing this vary based upon the state. Producers are generally required to disclose to you, when both a Standard or Base Commission is collected and a fee is charged. The fee is subject to state laws and is selected by the producer. IAT does not participate in the establishment, collection, or payment of any such fee.

Contingent Commission

In addition to fixed commission, producers may be eligible to receive a “contingent” commission, which is payable contingent upon the producer meeting certain pre-described profitability goals related to the producer’s book of business with IAT. Contingent commission is not offered on all products or lines of business. When offered, the annual goals will vary by producer and line of business and may include the following:

- Profitability - as measured by loss ratio (Total Losses on the producer’s book of business with IAT divided by the total Written Premium on the producer’s book of business with IAT). Often the loss ratio is calculated over multiple years.
- Production – seeks to establish if the producer is able to achieve a pre-established minimum

volume of premiums or new business with IAT

- Growth – Measures whether the volume of business the producer has with IAT meets or exceeds a pre-set growth amount over an established period of time.
- Retention – Measures whether the producer maintains a certain number of current policies or premium with IAT over an established period of time.

If in a given year, a producer does not meet the applicable annual goals, that producer is not eligible for a contingent commission and thus receives no contingent commission payment from us.

Contingent commission payments are normally an amount equal to a percentage of eligible premiums placed by the producer with us. The total contingent commissions generally paid to producers vary from 0% to 5%. Due to the variability of losses, premiums, and the producer's ability to meet production goals, it is impossible to establish (prior to the end of the year) the contingent commission payable as the result of writing any one account with IAT.

Other (Additional) Compensation

Producers may receive other forms of compensation from us such as information technology services and expense reimbursement for such items as advertising, marketing and underwriting expenses. We may pay for, or directly provide, professional continuing education opportunities for producers. Producers may participate in sales contests or promotions based upon the submission of proposed new business to us. IAT may also pay for meals and other entertainment expenses including the travel, meals and accommodations arising from company sponsored events. Payment of other compensation may depend on the producer meeting production and other performance objectives established by us.

IAT may enter into relationships with producers whereby the producer provides additional services. In these instances, the producer may perform some underwriting, policy issuances, risk control, or administrative services for which payment of a service fee is appropriate. Such arrangements represent a very small portion of producer compensation payments. In most instances, as required by law, these fees are disclosed to you at the time of quote.

IAT may make a loan to a producer (either interest free or at a competitive interest rate). Repayment of such loans may be offset by compensation earned in the future or forgiven, in whole or in part, if certain pre-set objectives, established by IAT are met by the producer.

IAT may sponsor, be affiliated with or have other arrangements with reinsurance companies, risk retention entities, or fronting arrangements, in which producers may invest and which are utilized to reinsure business placed by such producers with IAT and pursuant to which such producers may share in any underwriting profits and/or losses generated by such policies.

Interest on premiums collected by producers on our behalf and placed in interest bearing trust accounts before the premium is paid to us, is generally retained by the producer, provided that producers comply with any applicable disclosure or other regulatory or legal requirements.

IAT Producer Ownership

IAT Insurance Group or its subsidiaries own and operate a small number of insurance agencies. In addition, a small number of IAT employees are licensed insurance agents. These agencies and employees may serve as a producer for IAT. As producers these agencies and employees may be eligible for the similar compensation arrangements as producers not owned by IAT. IAT, as owner of the agency, will participate in the profit or loss of the agency's operations, in addition to the profit results of the insurance produced by that agency. In certain instances, IAT owned insurance producers may place all business with IAT and may not represent any other insurance companies.

Loss Control & Risk Mitigation Services

IAT may offer Loss Control or Risk Mitigation services to our clients depending on the type of business, amount of written premium and other factors. These services may be conducted over the phone, by video conferencing and via on-site loss control visits by IAT (or outside vendor) Risk Control Specialists. They are there to assist you with safety and compliance concerns. When offered, they are part of the premium you pay to IAT Insurance. In some cases you will be asked to pay an additional fee for these services. This fee (if required) will be disclosed to you at the time of quotation. Our Loss Control Specialists also have a variety of employee training programs and videos available to you through our IAT Loss Control Website. If you are interested in our on-line services, which are offered to our policy holders free of charge, you may sign up at www.losscontrol.iat-group.com or call 1-800-428-4440 to enroll.

Fraud Investigation

The IAT Insurance Group has an in-house fraud investigation unit. IAT is committed to investigating and eliminating insurance claim fraud. All suspicious claims activity is referred to this unit for investigation. This service is part of your insurance premium.

Additional Information

This synopsis provides an overview of IAT producer compensation practices. However, because it is only a general overview there may be exceptions not addressed above. If you need additional information regarding specific producer compensation, please contact your producer directly. Also, please periodically check the iatinsurancegroup.com website for updated information.