



A Head for Insurance. A Heart for Nonprofits.

Dividend Plan for NIAC Members

1. The total funds to be paid to all members by NIAC 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 2007-2008 policy year is calculated as a percentage of the total gross written premiums for calendar year 2003. Company-wide Dividend amounts are declared by the NIAC board of directors at its first regular board meeting of the calendar year, are at the complete discretion of the board of directors, and subject to approval by regulatory authorities, if any.
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. The NIAC 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 Credits and Loss Ratio

After three continuous years of coverage with NIAC the nonprofit qualifies to participate in the dividend program and will start earning loyalty credits. After the completion of their fifth policy year with NIAC, and if their loss ratio meets the criteria described in the plan, they will receive a dividend payment if a dividend is declared by NIAC and the nonprofit renews their policy with NIAC.

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 NIAC. 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 NIAC.

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, NIAC 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 207-2008 policy year would be the liability policy premium, excluding umbrella premium, that member paid for their annual policy expiring in 2003.

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 NIAC 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 declared in 2007

Policyholder Since	Loyalty Credit	Loss Ratio Credit	Total Credits	2002/2003 GWP	Total Participation Credits	Pro-rata Factor	Final Member Dividend
2000	3	0	3	\$ 10,000.00	300	0.535714	\$ 160.71
1995	8	8	16	\$ 6,000.00	960	0.535714	\$ 514.29
1993	10	4	14	\$ 150,000.00	21,000	0.535714	\$ 11,249.99
2001	2	0	2	\$ 6,000.00	120	0.535714	\$ 64.29
2006	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 NIAC President, CEO or CFO. Specific questions about a Member Dividend should be referred to the CFO or Controller.