

# Mendota Producers Compensation Disclosure

## Producers

We sell our insurance products and services through an extensive network of independent insurance agents and brokers, and we consider this the preferred way of distributing our products. We call these independent agents and brokers "producers."

Producers are not our employees. However, producers may receive compensation from us for placing your insurance with us. This is an overview of how we compensate producers.

## Producer Compensation

We design our compensation system to encourage producers to sell our products, to assist us in evaluating risks and servicing accounts, and to maintain a volume of profitable business with us. Currently, our compensation programs fall into three basic types: 1) base commissions; 2) supplemental compensation; and 3) business production incentives. We might not pay all these types of compensation, or any compensation, to a producer who places a policy with us.

- **Base Commission Programs**

We pay producers a fixed commission for business placed with us. We pay commission on new and renewal policies. This commission is usually a fixed percentage of the premium a policyholder pays. The percentage varies according to factors such as the type of business, the type of risk, and the state where a risk is located.

- **Supplemental Compensation Programs**

On Personal Insurance products, we pay some producers a pre-set supplemental compensation on new and renewal policies written during a year.

We determine the supplemental compensation rate for each policy sold during the year at the outset of the year, based on an evaluation of the producer's historic performance with us. In determining this pre-set supplemental compensation rate, we consider historical performance items such as a producer's loss ratio (ratio of losses to premium); premium volume with us; growth in the number of policies with us; and compliance with performance standards.

- **Business Production Incentive Programs**

At times we will provide producers or their employees the opportunity to receive additional compensation for placing specific types of policies with us, helping us pursue new business opportunities with their customers,

or performing other tasks.

An agreement by a producer to move policies from a specified insurance company to us, a so-called book transfer, is an example of this type of program. We generally compensate agents by paying additional commission or a specific dollar amount on the policies we sell as a result of these agreements.

This category also includes sales contests, where cash or other prizes are awarded for policies written with us. These incentives are designed to encourage the placement of business with us.

### **Additional Information**

For additional information contact Mendota Insurance Company and its property casualty insurance affiliates, at

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