

## **Dividend Distribution Formula**

Per the Plan of Operation, as on file and approved by the Texas Department of Insurance and the Board of Directors of the CompGroup AGC. Dividends, after declared and released by the carrier will be distributed as follows:

An individual calculation of a member's policy that participated in the Purchasing Group during the dividend period (defined as Plan Year) will be performed to determine an individual loss ratio. Loss ratio is defined as incurred losses divided by earned premiums that fall within that dividend period.

There will be four dividend classes:

- Class A = Loss Ratio  $\leq$  20%
- Class B = Loss Ratio  $>$  20% but  $\leq$  40%
- Class C = Loss Ratio  $>$  40% but  $\leq$  60%
- Class D = Loss Ratio  $>$  60%

- Class A = 100% of Declared Dividend + the undistributed Class C & D\*
- Class B = 100% of Declared Dividend
- Class C = 50% of Declared Dividend
- Class D = 0% of Declared Dividend

\*Undistributed dividends will be pooled for a pro-rata distribution to Class A.

Regardless of the loss ratio calculation, the individual member must be a member in good standing with the group to receive any distribution.

The carrier will distribute the dividend to the Group, regardless of this formula based solely on the calculation of the Group as a whole.