



PRODUCER PROFITS PROGRAM

ADDENDUM TO DEALER/ADMINISTRATOR AGREEMENT

This Addendum is entered into this _____ day of _____, _____, by and between Interstate National Dealer Services, Inc. (“Administrator”) and _____ (“Producer”).

WHEREAS, the parties hereto have executed an Administrator Agreement (“Agreement”) entered into on _____, _____, and now wish to add the following terms to the Agreement.

NOW THEREFORE, in consideration of the agreements contained herein to be mutually kept and performed, the parties agree as follows:

1. PRODUCER:

- A. Agrees to submit and pay for a minimum of 240 Qualified Contracts per calendar year, net of cancellations. Qualified Contracts are those with a term of at least three (3) months; and
- B. Agrees to utilize cost containment and loss control procedures in an attempt to maintain Inception to Date and Active loss ratios (“loss ratios”) of less than 85%.

2. ADMINISTRATOR:

- A. Agrees to provide Producer with actuarial and other reporting to help monitor Producer’s loss ratios and provide assistance in maintaining them at 85% or less; and
- B. Agrees to pay to Producer its earned share of Producer Investment Profits (PIP) which is defined as the amount Producer earns based upon the period’s average balance in reserves as detailed in 3. Producer Investment Profits (PIP); and Agrees to pay to Producer its earned share of Producer Underwriting Profits (PUP) which is defined as the amount Producer earns if qualified Contract production and loss ratio benchmarks are achieved. It is equal to up to 100% of the earned underwriting gain as detailed in 4. Producer Underwriting Profits (PUP).

3. PRODUCER INVESTMENT PROFITS (PIP)

- A. PIP will be calculated and paid semi-annually, for the periods ending May 31 and November 30, based upon the period’s average reserve balance on deposit. Such calculation will be made using the 30 Day Treasury Bill rate as published in the Wall Street Journal in effect at the beginning of each period.
- B. PIP distribution will be made semi-annually provided:
 - (i) Producer has submitted and paid for a minimum of 120 qualified Contracts, net of cancellations, during the six (6) months immediately prior to the calculation date; and
 - (ii) Producer’s loss ratios do not exceed 85%.
- C. If Producer’s loss ratio targets are met, but the volume requirement is not, then Producer will receive PIP participation on the percentage of available reserves as indicated below:

If qualified Contracts, net of cancellations, submitted and paid for during the preceding six months were:	Producer will receive this percentage of PIP
120 or more	100%
90 – 119	75%
60 - 89	50%
30 - 59	25%
Less than 30	0%

NOTE: If Producer receives less than 100% of PIP per the schedule above, the portion not distributed to Producer shall be retained by Administrator. All qualified volume requirements are net of cancellations.

- D. If Producer’s loss ratios exceed 85% but the volume requirement outlined in 3. C. is met, the following will apply:
 - (i) PIP earned for the current period will be set aside, as will all future PIP calculations as long as Producer’s loss ratios exceed 85%.
 - (ii) When Producer’s loss ratios fall below 85% at the end of a calculation period, and all volume requirements have been met, all unpaid and accrued PIP amounts along with current PIP distribution will be paid to Producer.

4. PRODUCER UNDERWRITING PROFITS (PUP)

- A. PUP will be calculated and paid semi-annually for the periods ending February 28 and August 31.
- B. PUP is based on individual calendar year underwriting results and is based on earned reserves less claims and claims adjustment expenses including but not limited to, inspection and/or legal fees relating to the VSC or for cancellation of any VSC. PUP will be calculated for any given calendar year after a minimum of 50% of that year’s reserves have been earned.
- C. PUP distributions will be made semi-annually provided that:
 - (i) Producer has submitted and paid for a minimum of 240 qualified Contracts, net of cancellations, for the calendar year for which PUP is calculated. The Contract production requirement will be prorated on a monthly basis for each full month completed during the Producer’s first calendar year under this Addendum; and
 - (ii) Producer’s loss ratios do not exceed 85%; and each individual calendar year for which PUP calculations and distributions are being made do not exceed 85%.

- D. If Producer loss ratio targets are met, but the qualified Contract production requirement is not, then Producer will receive PUP distribution from available reserves based on the percentage indicated below:

If qualified Contracts, net of cancellations, submitted and paid for during the preceding calendar year were:	Producer will receive this percentage of PUP
240 or more	100%
180-239	75%
120-179	50%
60-119	25%
Less than 60	0%

NOTE: If Producer receives less than 100% of PUP per the schedule above, the portion not distributed to Producer shall be retained by Administrator. All qualified volume requirements are net of cancellations.

- E. The PUP amount distributed during any calculation period for any calendar year will be reduced by the amount of prior PUP distributions for that calendar year.

5. TERMINATION

- A. This Addendum will automatically terminate should the Administrator Agreement terminate for any reason.
- B. This Addendum will immediately terminate if Producer submits and pays for less than 60 qualified contracts in any calendar year or less than the monthly pro rata portion of that amount if the period between the effective date of this Addendum and December 31st is less than one full calendar year.
- C. This Addendum will automatically terminate should Producer commit a fraud upon Administrator, should bankruptcy, intentional misconduct, insolvency, assignment for benefit of creditors or any act of similar or like nature involve Producer or should Producer for any reason cease doing business with Administrator under the Administrator Agreement without thirty (30) days prior written notice. Then, Producer shall no longer be eligible for Profit Participation payments, and any Reserve funds shall remain sole and exclusive property of Administrator, and Producer shall have no right, title or interest, legal or equitable, in such sums. Administrator’s only obligation respecting such sums shall be to satisfy continuing claims and claims expenses resulting from Producer-issued Contracts written prior to termination, and for which Administrator has been paid sums due thereunder.
- D. Upon termination of this Addendum, the following will occur:
PIP distributions to Producer will cease immediately and Producer will not earn or be due any further distributions. Producer forfeits all rights to any PIP, both accrued and future. However, any PIP already distributed from prior periods remains the property of Producer.

6. REINSTATEMENT

- A. If this Addendum has been terminated for any reason and providing an administrator agreement is in full force and effect and Producer desires to reinstate this Addendum and written approval is received from Administrator granting reinstatement, this Addendum will be reinstated on the first day of the month following approval.
- B. Starting with the reinstatement date, Producer will again be eligible for future PIP and PUP participation on all years. However, amounts already forfeited will not be available to Producer.

7. ADDENDUM

Administrator reserves the right to offset any losses/expenses relating to Producer’s contract business. This Agreement is an Addendum to the Administrator Agreement and does not alter any terms or conditions of the latter agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

PRODUCER

ADDRESS

BY: _____

TITLE: _____

FEIN: _____

DATE: _____

Interstate National Dealer Services, Inc.
ADMINISTRATOR

6120 Powers Ferry Rd. NW, Suite 200, Atlanta, GA 30339
ADDRESS

BY: _____

TITLE: _____

DATE: _____