

INCENTIVE COMMISSION AGREEMENT

ADDENDUM TO AGENCY AGREEMENT

Effective January 1, 2007

1. Incentive Commission Determination

In addition to commission otherwise paid by Company to Agent under the Agent Agreement and Commission Schedule, Company agrees to pay to Agent a commission based on the loss ratio of the business placed by Agent with Company ("Incentive Commission").

The loss ratio shall be determined by dividing the total losses incurred on business placed by Agent with Company during the three prior calendar years (including the calendar years to which the Incentive Commission will be applied) by the total net written premium placed by Agent with Company for the same three-year period. The loss ratio shall determine Agent's percentage Incentive Commission to be applied to the net written premium placed by Agent with Company during the calendar year immediately prior to determination as follows:

A stop loss of \$150,000 on any one loss will be calculated into formula.

Loss Ratio	% Incentive Commission
0 – 10%	5%
11 – 20%	4%
21 – 30%	3%
31 – 40%	2%
41 – 50%	1%

Agent's net written premium for the immediately prior calendar year will be multiplied by the percentage of Incentive Commission to determine Agent's amount of Incentive Commission for such year.

Commissions Payable: to be reduced by the following, if agency has decrease in net written premium;

- 10% to 25% - 25% reduction
- 25% or more – no contingency payment

2. Exceptions to Incentive Commission

- A.** Incentive Commission payments for any given year are contingent on the profitability of Company for that year as determined solely by Company's board of directors at the end of each calendar year.
- B.** Agent shall not qualify for Incentive Commissions during any calendar year in which Agent produces less than \$50,000 of net written premium for Company.

- C. Agent shall not qualify for Incentive Commissions during any calendar year in which Agent has not been current in account payments throughout the calendar year. Should Agent be delinquent for any one month during the calendar year, Agent shall not qualify for Incentive Commissions during that calendar year.

3. **Termination**

This Incentive Commission Agreement shall terminate on the same date that the Agency Agreement between the parties is terminated. No Incentive Commissions shall be due or paid for business placed by Agent with Company in the year of termination.

4. **Payment if Incentive Commissions**

Calculation of the Incentive Commission shall be made at the end of each calendar year based on the Company's records. Payments of Incentive Commissions shall be made within ninety (90) days after the close of the year on which such Incentive Commissions are based.

5. **Amendment**

Company reserves the right to amend the terms and conditions of this Incentive Agreement. Amendments adopted in any given year will be effective for the year subsequent to the year in which amendments are adopted. Company will give Agent notice prior to the effective date of any such amendment.

IN WITNESS WHEREOF this Incentive Commission Agreement has been executed in duplicate this _____ day of _____.

**ABC
INSURANCE COMPANY**

By: _____

Title _____

AGENT
