

21st Century General Agency

PRODUCER'S AGREEMENT

Definitions:

When referred to herein the COMPANY is the insurance COMPANY that has furnished policies of insurance to the Managing General Agency and whose policies of insurance are issued by the licensed, contractual Managing General Agent, who is one of the two parties to this Agreement. When referred to herein the Managing General Agency (MGA) is the licensed, contractual Managing General Agent that is one of the parties to this Agreement and who has been furnished by the COMPANY the insurance policies to be issued in connection with this Agreement.

When referred to herein the PRODUCER is the licensed agent that is the other party to this Agreement and who is the representative of the applicants for insurance to the MGA for consideration.

The parties to this agreement are: _____

Doing business as _____

Whose address is _____

(Herein called PRODUCER)

And

21st Century General Agency whose address is 9730 Skillman Dallas, Texas 75243 (herein called M.G.A.) Whereas, the PRODUCER desires to submit applications from time to time for his clients for various insurance coverages through the facilities of the MGA and, whereas, the MGA desires to make its facilities available to the PRODUCER in cases where the terms are mutually agreeable.

A. RISK SELECTION & PLACEMENT

1. MGA shall be the sole judge of the acceptance of any risk and shall incur no liability for failure to place any risk.
2. MGA is not an insurer and does not guarantee the financial condition of insurers with whom it may place risks.
3. MGA shall have no liability for losses under contracts of insurance placed by it whether due to insolvency of an insurer or otherwise.

B. AUTHORITY OF PRODUCER

1. PRODUCER shall have full power to:
 - a. Receive and accept applications for insurance covering only such classes of risks and in such amounts as MGA may so authorize PRODUCER to accept.
 - b. Collect premiums from insureds or applicants for insurance submitted by PRODUCER to the MGA.
2. PRODUCER shall promptly forward to the MGA all information pertaining to any application or policy in force, as well as all other evidences of intent to insure or to modify existing policies. Notice to PRODUCER of change in a risk or loss does not constitute notice to MGA or the insurer(s)

3. PRODUCER shall have no authority not specifically authorized in this Agreement, and PRODUCER shall have no authority to extend the time for payment of any premium or to change, alter, vary or waive any of the terms, requirements, or conditions contained in any application or policy.
4. PRODUCER has no authority to accept or bind risks on behalf on MGA or any insurer(s) represented by MGA except when authorized in writing. Written authorization shall include such binding instructions relating to specific insurance programs in underwriting and/or rate guides published and distributed by the MGA and in effect at the date of the policy is issued.
5. PRODUCER has no authority to handle claims other than to notify MGA of their occurrence which PRODUCER undertakes to do immediately upon his knowledge of same.
6. PRODUCER has no authority to cancel coverage's provided through MGA. All requests for cancellations are to be submitted in writing to MGA in form acceptable for cancellation under the policy conditions.
7. PRODUCER has no authority to accept referrals of any business for another agent without specific written authorization from the MGA. Should the PRODUCER violate this prohibition of accepting referrals of any business for or with some other agent without notice to and Agreement of the MGA such an act shall constitute and accomplish immediate cancellation of the Agreement with full and unlimited liability to the PRODUCER thereof on any such insurance involved.

C. CANCELLATIONS

1. MGA shall have the right to cancel or modify any insurance contract in accordance with its terms and conditions and if MGA elects to do so, PRODUCER shall remain obligated to pay MGA the earned premium thereon less PRODUCER'S earned commission.
2. No policy or binder will be cancelled flat unless acceptable evidence for cancellation is received prior to the effective date of the policy or binder, and prior to issuance of the policy by the MGA.
3. Notwithstanding the return of an original policy for cancellation, cancellation will not be effective until sufficient time has elapsed for proper notice to mortgagees, loss payees, certificate holders, public service regulatory bodies, etc... in cases where such notice be required.
4. Cancellation unless requested by MGA will be computed on A pro rata basis or in accordance with policy provisions.

D. PRODUCER IS AN INDEPENDENT CONTRACTOR

1. The PRODUCER shall be free to exercise his judgment as to the persons solicited and the time, manner, means and places of solicitations.
2. PRODUCER is not the employee, agent, or authorized representative of MGA or, unless legally appointed, of any insurer(s) represented by MGA.
3. MGA shall not be responsible for any expense of PRODUCER whatsoever, whether arising out of this Agreement, or not, or incurred in any connection with this Agreement.

E. EXPIRATIONS AND RENEWALS

1. MGA expressly recognizes PRODUCER'S independent ownership of the policy expirations covered by this Agreement and PRODUCER shall retain ownership of these expirations during and after the termination of this Agreement. The MGA's records or knowledge of names of insurers and expiration dates shall not be communicated or referred by MGA to any other agent, broker, or person. However, in the event of termination of this Agreement, the PRODUCER being in default and failing to promptly account for and pay all sums for which he may be liable, the MGA's records, use, and control of expirations shall be vested in MGA.
2. MGA will use its best efforts to give the PRODUCER reasonable advance notice of the expiration of all policies, but failure of MGA to provide such notice shall not render MGA liable.
3. At renewal of any policy issued by the MGA, PRODUCER shall be responsible to the insured for the renewal or replacement of the policy and shall in a timely manner communicate any renewal quoted from the MGA to the insured to preclude the extension of coverage beyond the expiration date of the policy.

F. WARRANTY & HOLD HARMLESS AGREEMENT

1. PRODUCER warrants that he is properly licensed for the classes of business to be conducted and the coverage's of insurance to be procured through the facilities of MGA and that all placement with MGA will be made in compliance with the Insurance Code of the State of Texas.
2. In the event MGA shall have to institute any lawsuit to enforce the obligations assumed by PRODUCER in this Agreement, the undersigned PRODUCER (and if more than one, jointly and severally) agrees to indemnify and hold harmless from all costs, expenses, judgments and attorney's fees incurred by MGA in connection with any such lawsuit.
3. Except as otherwise provided in F2 above, with regard to each party's obligation pursuant to this Agreement, such party hereby holds the other harmless, from, and shall indemnify the other party against and provide legal defense to or for the other party for any and all claims, damages, liabilities, and expenses including compensatory damages: punitive or exemplary damages, attorney's fees; cost of litigation; and interest on judgment, award, or settlement actually and reasonably incurred as a result and to the extent of that party's acts or omissions, whether inadvertent, accidental, negligent, or intentional. For purposes of this section only, the term "party" includes officers, directors, employees, agents, and representatives.

G. COMPENSATION

Subject to compliance by the PRODUCER with the terms and conditions of this Agreement, the COMPANY will pay and the PRODUCER will accept as full compensation for business placed with and accepted by MGA, a commission on each policy written and paid for under this Agreement at a rate specified in the addendum of the Agreement.

H. SPECIAL FEES

All special fees, policy fees, charges, or expense constants charged in addition to the premium on policies or endorsements are to be regarded as fully earned at the time of the inception of the policy or endorsement. The obligation of PRODUCER to pay such amount shall be the same as if they were premiums, except that no commission will be allowed upon such amounts unless specifically authorized by MGA in writing.

I. PAYMENT OF PREMIUMS

1. The total gross premium payment, including the policy fee, shall be remitted with each application submitted.
2. PRODUCER specifically agrees that any extension of credit by him to his client or to any other person is solely at his own risk.
3. PRODUCER shall pay MGA all sums due MGA, when due, whether or not he has collected such moneys from others who may owe it to him. Furthermore, PRODUCER recognizes that in agreeing to pay MGA, he does so as an original undertaking on his own part and not as guarantor or surety of another's obligation.
4. Notwithstanding any other provision of this Agreement, all premiums collected by PRODUCER for insurance procured under this Agreement are trust funds and property of the MGA and PRODUCER is acting as a fiduciary under this Agreement. Those funds shall not be used for any personal or business purpose whatsoever, but shall be held until remitted or disbursed in accordance with terms of this Agreement.
5. The PRODUCER shall keep true and complete records of all transactions involving business under this Agreement and shall permit MGA's representatives the right to examine these records, accounts, vouchers, and correspondence during normal business hours.
6. If a return premium becomes due under any policy, MGA will promptly refund PRODUCER such return premiums at the same rate at which such commissions were originally paid to PRODUCER.
7. Premiums, as used herein, shall include premium arising out of any Agreement of insurance including policies, or binders and shall include commission.

J. SECURITY AND PAYMENT

1. MGA shall have the right to offset any amounts due MGA from PRODUCER against amounts due PRODUCER by MGA.
2. In the event MGA receives an insufficient funds check from PRODUCER, MGA may elect to deem insufficient funds check as breach of contract, which may result in the cancellation of said PRODUCER'S Agreement. MGA, at its discretion, may elect to process any new or renewal business applications from PRODUCER and requests for endorsement of policies in force only if accompanied by a cashiers check, certified check or cash for the gross premium due until such time that PRODUCER pays in full the obligation covered by the insufficient funds check.

K. VALIDITY AND PERFORMANCE

The obligations and undertakings of each of the parties to this Agreement shall be performable at Dallas County. PRODUCER agrees to pay to MGA at its home office in Dallas, Dallas County, Texas, all sums of money which may become payable to MGA under this Agreement. If the PRODUCER is a non-resident of the State of Texas, PRODUCER herein recognizes that this Agreement is with a resident of the State of Texas and is, therefore, performable by PRODUCER in the State of Texas. PRODUCER, if a non-resident of the State of Texas, designates the Secretary of the state of Texas as his, its, or their true and lawful attorney upon who service of process may be made in connection with any suit brought against PRODUCER by MGA to enforce the terms of this Agreement.

The rights duties, and obligations of the parties of this Agreement to such extent as they are not dealt with specifically or by necessary implication in this instrument shall be in accordance with the custom and usage's prevailing in the surplus lines and special risks insurance business in the City of Dallas, Dallas County, Texas.

L. TERMINATION, SUSPENSION, OR AMENDMENT OF AGREEMENT

1. This Agreement supersedes all other Agreements between MGA and PRODUCER and shall be binding upon and inure to the benefits of the parties, their respective heirs, representatives and

- successors and shall continue in force until terminated by mutual Agreement of the parties or by one of the parties giving thirty(30) days written notice of termination to the other, subject to statutory requirements.
2. Except for unilateral amendments by MGA to the commission schedule, this Agreement may not be altered or modified, except in writing, signed by both parties.
 3. If PRODUCER is a partnership, the death, withdrawal, or addition of one or more partners shall not terminate this Agreement, but it shall continue to be binding as between MGA and the partnership as then constituted. If PRODUCER is an individual and takes one or more partners, this Agreement shall not terminate but shall be binding upon each and all of the members of such partnership.
 4. This Agreement shall terminate immediately without notice if any public authority cancels or declines to renew the license or certificate of authority of PRODUCER or MGA. In the event of any cancellation, revocation, suspension or forfeiture of such license PRODUCER shall immediately notify MGA of the complete details thereof, and PRODUCER shall forfeit all commissions, earned or unearned, on policies effective as of such cancellation, revocation, suspension, or forfeiture of license.
 5. In the event of violation of PRODUCER'S fiduciary responsibility, including insolvency, threat of insolvency, fraud, abandonment, willful, gross, or negligent misconduct, this Agreement may be cancelled by the MGA at any time thereafter, effective immediately by notice to PRODUCER. In the event of any indebtedness of PRODUCER to MGA all premiums in the hands of PRODUCER or for the collection of which PRODUCER is responsible shall, notwithstanding any provisions herein to the contrary, become immediately due the MGA.
 6. The obligations of PRODUCER to indemnify and hold MGA harmless on any claim arising from failure of the PRODUCER to comply with the terms of this Agreement shall survive termination of this Agreement.
 7. As provided in B7, this Agreement shall terminate in the event the PRODUCER violates the prohibition of accepting referrals of any business for or with some other agent without notice to and agreement of the MGA.
 8. The success of this program is predicated on being able to generate good loss ratios. To participate in this program it will be necessary for a PRODUCER to maintain a 65% loss ratio or less. After an initial grace period of four months, should an PRODUCER'S loss ratio exceed 70% a complete analysis shall be performed on the PRODUCERS book of business and MGA will issue recommendations on how to reduce the loss ratio. After an analysis, should a PRODUCER'S loss ratio continue to climb to 80% an automatic suspension will be issued. While suspended, a PRODUCER shall not be able to bind coverage without first receiving the approval of MGA underwriting. A suspension of more than 6 months automatically cancels said PRODUCER'S appointment.

M. NON WAIVER

1. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected hereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
2. Any terms or conditions of this Agreement which are in conflict with the statutes or lawful regulations of the state wherein business is written are hereby amended, without notice, to comply with such statutes and regulations as from time to time governing.
3. Any failure of MGA to take advantage of any breach by the PRODUCER of the terms, conditions, provisions, or limitations of this agreement shall not be deemed to constitute a waiver of subsequent breach of the same terms, conditions, provisions or limitations, or any right on the part of MGA thereafter to enforce any of the terms, conditions, provisions or limitations of this Agreement.

N. MISCELLANEOUS

1. PRODUCER, agrees to do everything possible to safeguard the interest of MGA and shall immediately report to MGA, with full details, any fact, occurrence or incident that may result in a claim, loss, or increased risk of loss to MGA. The PRODUCER shall forward all claims, suits, and notices of loss and cooperate fully with MGA to facilitate the investigation, adjustment settlement, and payment of any claim when and as requested by MGA. The PRODUCER will assist MGA in the collection of any deductible due from the Insured. PRODUCER has no authority to adjust or settle claims or to assign the adjustment of any claim.
2. PRODUCER shall timely and completely comply with all laws, rules, and regulations, including all underwriting and other rules of MGA in the conduct of its business under this Agreement and shall not expose the MGA to any claim, litigation, administrative proceeding, fine, or penalty, in whole or in part, from any failure to so comply.
3. The rights, privileges, interests, powers, or claims of PRODUCER arising under or growing out of this agreement are not assignable (by sale or otherwise), and no assignee shall acquire any rights thereto, without the written consent of MGA.
4. The parties hereto, hereby agree to execute and deliver all such instruments and take all such action as may from time to time be necessary in order to fully effectuate the purposes of the Agreement.
5. Any policy forms or other MGA supplies furnished to PRODUCER by MGA shall always remain the property of MGA and all property of MGA shall be returned to its representative promptly upon demand.
6. This Agreement shall be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same document.
7. Words and phrases shall be read in context and construed according to the rules of grammar and common usage. Words and phrases that have acquired a technical or particular meaning, whether by legislative definition or otherwise, shall be construed accordingly. Words in the present tense include the future tense. The singular includes the plural, and the plural includes the singular. Words of one gender include the other gender.
8. The heading of the paragraphs of the Agreement are a convenience only, and shall not effect its interpretation.

O. ARBITRATION

In the event of any dispute between the MGA and the PRODUCER under this Agreement which the MGA and the PRODUCER are unable to resolve, the dispute shall be submitted to arbitration at the request of either party in the following manner:

1. The party requesting arbitration shall so notify the other party in writing and shall so specify the question or questions to be arbitrated.
2. Within ten (10) days after receipt of such notification, the MGA and the PRODUCER shall each select an arbitrator and give the name and address of such arbitrator to the other.
3. The two arbitrators shall promptly select a competent and disinterested party as the third arbitrator.

4. The decision of any two of the three arbitrators so chosen shall be final and conclusive on the MGA and the PRODUCER. The decision shall be in writing and copy thereof given both the MGA and the PRODUCER within thirty (30) days after the date of the request for arbitration.
5. All arbitration expenses shall be borne equally by the MGA and the PRODUCER.
6. Each arbitration under the provision shall take place in and be governed by the State of Texas.

P. INCORPORATED PRODUCER

In the event the PRODUCER under this Agreement is a corporation it is agreed that it's undersigned corporate officer(s) shall personally guarantee the performance of this Agreement and personally indemnify MGA for any damages or expenses caused by any breach of this Agreement.

Q. CONSIDERATION

MGA and the PRODUCER agree that there is good, sufficient and valid consideration for the execution of this Agreement.

R. MGA AUTHORITY FROM COMPANY

While acting as the sole judge of the acceptance of any risk for which an application has been received from the PRODUCER the MGA shall not exceed the authority granted to the MGA in its contractual Agreement with the insurance COMPANY which it represents.

S. LICENSE APPOINTMENTS

The MGA may recommend license appointment of the PRODUCER to the COMPANY which policies it issues but shall not make license appointments of a PRODUCER on behalf of the insurance COMPANY whose policies it issues.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written.

Witness	Date	Managing General Agent 21 st Century Representative	Date
Witness	Date	Producer	Date

PRODUCER'S AGREEMENT

ADDENDUM A

PAY PLAN AGREEMENT

For due and proper consideration, the sufficiency of which is hereby acknowledged, it is agreed that as the Pay Plan product, Condition E3, 11, 16 and Agency Account Addendum (if applicable) is hereby deleted and the following added:

- A. PRODUCER shall submit promptly all applications for such policies;
- B. PRODUCER will remit in gross (without deduction of commission) all premiums that may be received for such policies;
- C. PRODUCER will initiate request for policy changes. Endorsement requests must be accompanied by 20 % of the estimated premiums;
- D. MGA shall prepare and issue all policies, endorsements, renewals, and other material directly to insured's and shall bill insured's directly on PRODUCER'S behalf for all renewal, continuation, and additional premiums.
- E. MGA shall compute and pay PRODUCERS promptly, following the close of each month, commissions as from time to time declared by the MGA, with respect to new, renewal, continuation, or additional premiums collected and processed during such month on policies written or processed for PRODUCERS accounts less any commissions on return premiums;
- F. PRODUCER'S name shall be clearly and prominently included with all materials processed by MGA, directly to insureds in size no smaller than that usually produced by MGA's electronic data processing for new policies, renewal policies, continuation notices of renewal certificates, and premium bills;
- G. MGA shall mail or deliver to PRODUCER a copy of underwriting request, audit form, loss control recommendations and cancellations, non-renewal notices, a copy or a listing of bills released by MGA and etc.
- H. MGA shall, upon demand of PRODUCER following termination of this agreement, supply PRODUCER with a list of policyholders by expiration date, together with salient details of coverage; as such data appears on MGA records. As respects contracts of insurance subject to company billing procedures, if producer is not in default under this Agreement, MGA shall issue such notices of non-renewal as PRODUCER may request, subject to requirements imposed by law or policy provision:
- I. If a return premium becomes due under any policy, MGA will promptly refund to named insured such return premium, including unearned commission, and debit the PRODUCER'S account in the amount of the unearned commission.
- J. With the exception of the Preferred Program, a commission of 15% will be paid. A commission of 13% will be paid on the Preferred Program. The Preferred Plan shall be outlined and defined per the most recent revision of the MGA's Underwriting Guidelines.

- K. Commission will be paid as premium is collected.
- L. In addition, PRODUCER compensation shall include participation in any year-end bonuses due to good loss ratios. Said PRODUCER will be entitled to participate provided PRODUCER'S loss ratio with MGA is less than 65% for the said year and at least 100 policies were submitted by PRODUCER to MGA during that same year.

Total MGA year-end bonuses shall be set forth by the MGA reinsurance contract in force for a referenced fiscal year. While this formula may vary from year to year it will be presented to all PRODUCERS before the end of the first month of the fiscal year.

The amount of an individual PRODUCER'S bonus, will be calculated by awarding points for performance. Points will be awarded for both the PRODUCER'S **loss ratio** and **production** volume as indicated below:

Loss ratio		Production	
60%-65%	1 point	200-250 policies	1 point
55%-60%	2 points	250-300 policies	2 points
50%-55%	3 points	300-350 policies	3 points
45%-50%	4 points	350-400 policies	4 points
40%-45%	5 points	400-450 policies	5 points
35%-40%	6 points	450-500 policies	6 points
30%-35%	7 points		
25%-30%	8 points		
20%-25%	9 points		
15%-20%	10 points		
10%-15%	11 points		
5%-10%	12 points		
to 5%	13 points		

PRODUCER'S individual bonus will be calculated as follows:

The total pay out received from the reinsurers divided by the total number of points awarded for all PRODUCERS equals the value of each point. The value of each point will be multiplied by the number of points awarded to each individual PRODUCER.

To eliminate the need for loss reserves being deducted from the total pay-out, bonuses shall be paid out, as specified per the current reinsurance treaty. Refer to the company for the projected pay out date for a specific year. The date will be approximately 14 months after the close of a physical year.

- M. In the event PRODUCER'S appointment has been cancelled, full commission will be paid on existing policies until all are expired, cancelled or terminated.

Witness	Date	Managing General Agency 21 st Century Representative	Date
Witness	Date	Producer	Date