

UTAH COUNTIES INDEMNITY POOL DIVIDEND POLICY

SECTION A EFFECTIVE DATE AND FREQUENCY OF REVIEW

1. The effective date of this policy is December 15, 2016.
2. This policy should be reviewed annually, but not less than every three years by the Board.
3. This policy will also be reviewed any time that changes to laws or rules are amended or recommendations are made by the UCIP CEO or CFO, which would require review and update to this policy.
4. Failure to review this policy in the frequency stated shall not nullify, void, limit or waive this policy or any action taken under this policy.
5. This policy is considered to be amended at the time any new federal or state law becomes effective, which conflicts with this policy, but only to the extent necessary to come into compliance with new law.

SECTION B PURPOSE

1. To assist the Board in managing Net Asset levels in accordance with the Net Asset Management Policy.

SECTION C AUTHORITY

1. The Board has authority to adopt this policy under the UCIP Interlocal Agreement and Bylaws.

SECTION D APPLICABILITY AND SCOPE

1. This policy applies to all dividends considered or approved by the Board.

SECTION E DEFINITIONS

1. Annual Contribution: the prior year's audited annual contribution.
2. Board: the Board of Directors of the Utah Counties Indemnity Pool.
3. CEO: the Chief Executive Officer of the Utah Counties Indemnity Pool.
4. CFO: the Chief Financial Officer of the Utah Counties Indemnity Pool.

5. Dividend: distribution of UCIP Net Assets to UCIP Members.
6. Net Assets: equity or surplus balances of UCIP, which exceed liabilities identified as Net Position on its audited financial statements, reduced by amounts designated as the Claim Reserve Deterioration Fund and Rate Stabilization Fund.
7. UCIP: the Utah Counties Indemnity Pool.

SECTION F POLICY STATEMENTS

1. If Net Assets exceed 200% of annual contributions, the Board may issue dividends.
2. If Net Assets exceed 250% of annual contributions, the Board shall issue dividends unless the Board has specific needs for such surplus as described in the Net Asset Management Policy.
3. Dividends may be issued as Experience Dividends, Equity Dividends and/or Member in Good Standing Dividends.
 - a. Experience Dividend. Members with loss ratios significantly below the average member loss ratio would be eligible for an Experience Dividend. Average Member Loss Ratio would be calculated on the year in which the dividend is issued and on a multi-year basis, at the Board's discretion.

To receive an Experience Dividend a Member must:

- (i) Continue membership in the Pool for the prospective year;
 - (ii) Maintain a loss ratio significantly below the average member loss ratio; and
 - (iii) Comply with specified Best Practices Program requirements as determined by the Board.
- b. Equity Dividend. If after the Experience Dividend is provided, Net Assets remain in excess of 200%, the Board may issue an Equity Dividend to the membership. If after the Experience Dividend is provided, Net Assets remain in excess of 250%, the Board shall issue an Equity Dividend to the membership unless the Board has specific needs for such surplus as described in the Net Asset Management Policy. For purposes of the Equity Dividend, equity will be calculated in accordance with the equity calculation in the Interlocal Agreement.

To receive an Equity Dividend a Member must:

- (i) Continue membership in the Pool for the prospective year; and
- (ii) Have an individual equity to annual contribution ratio of at least 100%.

- c. Member in Good Standing Dividend. At the time the Board issues an Experience and/or Equity Dividend the Board may also issue a Member in Good Standing Dividend to Members who are not eligible for an Experience Dividend or Equity Dividend at the time of issuance of other dividends. A Member in Good Standing Dividend may not exceed \$1,000 per Member.

To receive a Member in Good Standing Dividend a Member must:

- (i) Continue membership in the Pool for the prospective year.
4. Limitations on Dividends. The total of Experience Dividends, Equity Dividends and Member in Good Standing Dividends shall not deplete the Pool's total Net Assets below 100% of annual contributions.
5. When determining if Net Assets are within ranges identified in this policy, audited Net Assets shall be compared to the prior year's audited annual contributions.

SECTION G PROCEDURES AND RESPONSIBILITIES

1. The Board shall review Net Assets to Annual Contribution ratios annually following acceptance by the Board of audited financial statements, and prior to the calendar year end after acceptance of the audited financial statements.
2. The Board shall review the Net Asset Management Policy when considering distribution of dividends to assure any such distribution is not contradictory to the Net Asset Management Policy.

SECTION H REVISION HISTORY

1. Adopted: December 15, 2016
2. Revised: October 25, 2018
3. Revised: June 18, 2021

SECTION I APPENDICES

1. There are no appendices to this policy.