

Dividends - Sharing With Our Policyholders

Dividends are an important tool for sharing with loyal policyholders whose low claim losses help Texas Mutual Insurance Company control premiums. Over the past nine years, we have declared more than \$445 million in individual policyholder dividends, including \$125 million this year. We have declared more than \$22 million more in purchasing group dividends. Many policyholders have qualified for both types of dividends.

What is a dividend?

When publicly owned corporations pay dividends, they distribute a portion of company earnings to their stockholders. All stockholders receive a dividend based on the number of shares they own. When Texas Mutual Insurance Company returns dividends, we reward specific policyholders based on customer loyalty and claim loss history.

2007 dividend plan

In May, our board of directors approved our \$125 million dividend plan. The plan, which still requires Texas Department of Insurance approval, is the largest in company history. It includes an individual dividend, a special dividend and an early qualifier dividend.

What is the individual dividend?

The individual dividend includes an annual and retention component. The annual component rewards qualifying policyholders that had acceptable loss ratios for the policy that expired the previous year. The retention component rewards policyholders for up to five consecutive years of low claim loss experience with us, ending with the policy that expired the previous year. Many longtime Texas Mutual Insurance Company policyholders may have received increasing individual dividends because of the retention component.

What is the special dividend?

The special dividend is a discretionary award based on our exceptional financial results in 2006. All policyholders who qualify for an individual policyholder dividend qualify for a special dividend.

What is the early qualifier dividend?

The early qualifier dividend is a new feature in 2007. It reduces the time that first-year policyholders must wait for their first dividend. We will distribute early qualifier dividends in late November.

What is the purchasing group dividend?

Purchasing group dividends are based on each group's premium volume and loss ratio. We pay purchasing group dividends throughout the year.

Past dividends are not a guarantee of future dividends, and the Texas Department of Insurance must approve all dividends.