

MANAGEMENT SERVICES AGREEMENT

Among

NATIONAL FARMERS UNION PROPERTY AND CASUALTY INSURANCE COMPANY

and

NATIONAL GENERAL MANAGEMENT CORP.

This Management Services Agreement (the “Agreement”) is made as of [Month] __, 2019, by and among National Farmers Union Property and Casualty Company, a Wisconsin domiciled insurance company (“NFU” or the “Company”) and National General Management Corp. (the “Administrator”). Administrator and Company are collectively referred to herein as the parties and individually, as a party.

WITNESSETH

WHEREAS, the Company transact business as personal lines, life and commercial auto insurers in various U.S. jurisdictions;

WHEREAS, , the Company is a party to that certain Quota Share Reinsurance Agreement dated [Month] __, 2019, by which Integon National Insurance Company, a North Carolina domiciled insurance company and wholly-owned subsidiary of the Administrator (“Integon National”), assumes 100% of the business from the Company (the “Reinsurance Agreement”);

WHEREAS, the Company and the Administrator are affiliates;

WHEREAS, the Company wishes to delegate certain underwriting duties, claims services, actuarial services, policyholder services, accounting, information technology and certain other administrative functions to Administrator, and Administrator desires to assume responsibility for such administrative functions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Company and Administrator hereby agree as follows:

ARTICLE I

ADMINISTRATOR UNDERWRITING AUTHORITY

A. Administrator will act as underwriting manager for the Company, in particular, to underwrite, rate, quote, bind, accept, and reject insurance risks.

B. Administrator is authorized on behalf of the Company to issue policies, to charge, collect and receive premiums due, deposits and other remittances and to transmit return premiums, to pay commissions and fees, to cancel and terminate policies consistent with applicable regulatory and

policy conditions, to solicit from, appoint and deal with insurance producers, and to solicit and deal with affinity groups and policyholders.

C. Administrator will provide and administer, directly or through third parties, the data processing and computer software systems required by the Company.

D. Administrator shall have the power and authority to carry out its duties and obligations under this Agreement. Within the scope of its authority, the acts of Administrator shall be deemed to be the acts of the Company on whose behalf it is acting.

Notwithstanding the foregoing, with regard to any underwriting functions and services that are performed for or provided to the Company by Administrator pursuant to this Agreement, it is understood that: (i) Administrator shall perform such services in accordance with the Company's underwriting guidelines and procedures established by the Company from time to time and communicated in writing to Administrator by such Company; and (ii) the Company shall retain all final underwriting authority with respect to its business.

ARTICLE II

ADMINISTRATOR'S MANAGEMENT AUTHORITY

Administrator will provide the following services in order to assist the Company in the establishment, conduct and management of its business; *provided, that* the management of such operations shall at all times be under the exclusive control and direction of the officers and the Board of Directors of the Company, as applicable (the "Board"):

A. Administrator will arrange for such facilities, support systems and equipment as will be reasonably necessary for the operation of the Company's business, including office space, telephone, data processing, record keeping and accounting systems.

B. Administrator will provide the services of such personnel as may be required to conduct the operations of the Company, including, but not limited to, developing and submitting to the Board for its review guidelines and procedures for: (i) marketing; (ii) claims services in connection with risks underwritten by the Company; (iii) actuarial services; (iv) policyholder services; (v) accounting; (vi) investment management; and (vii) other insurance company operating services as required.

C. With respect to claims services:

- (i) The Company grants to Administrator the authority to settle claims on its behalf; *provided, however*, the maximum dollar amount of such authority shall not exceed \$500,000 per claim. For claims settlements in excess of the maximum amount, Administrator may only settle such claims with prior approval of the Company.
- (ii) Administrator shall report all claims to the Company in a timely manner. For claims settlements potentially in excess of \$1,000,000, Administrator shall provide the Company with a copy of the claims file as soon as the potential claim becomes known.

(iii) Final decisions with respect to settlement of claims will be based upon guidelines and procedures established and approved by the subject Company from time to time and communicated in writing to Administrator.

(iv) The Company retains final approval authority on all claim payments.

D. With respect to policyholder services, Administrator agrees that any and all personal contact or communication, both oral and written, with policyholders, insureds, beneficiaries and applicants will be done on behalf of the Company.

E. Administrator will assist the Company in the preparation and filing of all reports, statements and documents required by law, regulation or otherwise, including but not limited to all statutory financial statements and Federal and State tax returns.

F. Administrator will assist the Company in obtaining the services of such other professionals as shall be required from time to time to conduct the operations of the Company.

G. It is expressly agreed and understood that all premiums collected by Administrator are collected on behalf of the Company and that such premiums are the property of such Company. All funds collected by Administrator under this Agreement shall be held in a fiduciary capacity and shall be deposited into a Company owned premium bank account within one business day. Disbursements from such account shall be made by Administrator for the payment of commissions and other acquisitions costs, claims, loss adjustment expenses, return premiums, and amounts due Administrator as authorized herein. In no event shall Administrator be responsible for funding such amounts. The Company shall have unlimited authority to withdraw or call upon such account at its sole discretion.

H. Administrator shall submit to the Company a detailed and itemized monthly account report of all business and transactions effective in that month within 30 days following the end of that month, including premiums written, premium adjustments made (whether additional or return), commissions and other acquisition costs, and claims. All data transmitted by Administrator to the Company under this Agreement shall be done so in a timely manner.

I. Administrator shall perform all services required to administer the Reinsurance Agreement, as it shall be amended from time to time, including, but not limited to:

(i) Preparing general ledger accounting and statistical entries necessary to record all Cessions (as such term is defined in the Reinsurance Agreement; all capitalized terms not defined herein shall have the meaning ascribed to them in the Reinsurance Agreement) transactions. Providing access to said records to the Company, auditors and state examiners as reasonably required.

(ii) Computing reinsurance ceded and reinsurance assumed adjustments associated with this Agreement including premium, loss, Loss Adjustment Expense, Other Underwriting Expense and other underwriting related items including, but not limited to, Finance and Service Charge Income, Premiums and Agent Balances Recovered or Charged Off, Premium Deficiency Reserve Changes, Policyholder

Dividends and Pool Funds Held to facilitate the Company's statutory reporting requirements.

- (iii) Computing, billing, and collecting transfer settlement balances between Integon National and the Company.
- (iv) Documenting and maintaining accounting records that support the transactions associated with this Agreement in accordance with the Company's record retention guidelines and procedures.

J. Notwithstanding the foregoing, the Company shall maintain oversight and retain exclusive authority with respect to all matters relating to its management. The Company shall have the ultimate and final authority over decisions and policies, including but not limited to the payment or non-payment of claims. This Agreement is not intended to transfer to the Administrator substantial control of the Company or any powers vested in its Board by statute, their articles of incorporation, or bylaws. The Company shall monitor annually the quality of the services provided hereunder by the Administrator to the Company.

K. For the avoidance of doubt, Administrator acknowledges that all funds and invested assets of the Company are: (1) the exclusive property of such Company; (2) held for the benefit of such Company; and (3) subject to the control of such Company.

ARTICLE III TERM

Subject to the receipt of all required regulatory approvals, this Agreement shall continue until December, 31, 2019 or until terminated as provided in Article V (the "Period of Service"). After the initial Period of Service, this Agreement shall automatically be renewed from year to year until terminated as provided in Article V.

ARTICLE IV COMPENSATION/REIMBURSEMENT OF ADMINISTRATOR

A. In compensation/reimbursement for the services rendered to the Company hereunder, Administrator shall receive compensation/reimbursement as follows:

- (i) Expenses: Quarterly, within 30 days of the end of each calendar quarter, the Company shall reimburse Administrator for (a) direct expenses attributable to it and (b) all common expenses, including salaries and employee benefits, in accordance with the company's proportionate share based on net written premiums for policy related expenses and net paid losses for claims related expenses, which will be based on reasonable allocation methods, including time studies, square footage and other methodologies. The compensation for providing the services shall be based on actual cost without a profit factor being built into that cost and the indirect and shared expenses shall be allocated in accordance with a method of cost allocation in conformity with SSAP No. 70.

B. The rates referred to in (A) of this Article IV shall be:

- (i) fair and reasonable and substantially similar or less than those that would result from good faith negotiations between unrelated parties with independent economic interests, taking into account the totality of the parties' relationship;
- (ii) consistent with standards prescribed by any applicable insurance laws, including those pertaining to transactions between insurance companies and their affiliates; and
- (iii) in no event greater than those charged by Administrator for performing similar services for an unaffiliated person or entity.

C. Whenever Administrator utilizes its personnel to perform services for the Company pursuant to this Agreement, such personnel shall at all times remain employees of Administrator, subject solely to its direction and control. The Company shall have no liability to such employees for their welfare, salaries, fringe benefits, legally required employer contributions and tax obligations.

D. The compensation/reimbursement provided in this Article IV shall be the sole source of compensation/reimbursement payable by the Company to Administrator under this Agreement.

E. The compensation/reimbursement provided in this Article IV shall be payable by the Company to the Administrator in accordance with the Accounting Practices and Procedures Manual.

F. The Company shall not advance funds to the Administrator except as may be provided in this Agreement.

ARTICLE V **TERMINATION**

A. This Agreement may be terminated as to the Company:

- (i) At any time by the Administrator or the Company (by Integon National, as agent for the Company) by giving at least ninety (90) days' prior written notice to the Company;
- (ii) Immediately by mutual consent of Administrator and the Company;
- (iii) Automatically and immediately, without notice, in the event Administrator files, or there is filed against Administrator, any petition under the federal Bankruptcy Code or any state law governing insolvency;
- (iv) Upon written notice to Administrator from the Company:
 - (a) if Administrator commits any of the following acts or omissions: fraud, gross negligence or willful misconduct (which includes, but is not limited to, willful violation of the Company's instructions, willful violation of any covenant of this Agreement, or willful violation of any insurance department regulation or statutory provision applicable to Company and/or Administrator);

- (b) if Administrator fails to make timely payments, including remittance of any amounts due Company, as specified in this Agreement or breaches any provision of this Agreement; or
- (c) for improper market conduct, failure to exercise sound underwriting practices or failure to follow all state laws and regulations by Administrator.

B. This Agreement shall terminate as to the Company upon the date which it ceases to have its business ceded to Integon National pursuant to a reinsurance agreement or other reinsurance agreement..

C. It is expressly agreed and understood that upon notice of termination of this Agreement under (A)(iv) of this Article V by the Company, Administrator's authority to write and bind any new business, or to service or manage any business under this Agreement for the Company shall be revoked, except for such business that is required to be renewed or issued because of applicable law or regulation. It is expressly agreed and understood that the Company may immediately suspend Administrator's authority to bind, service or manage any business on behalf of the Company during the pendency of any dispute regarding the cause of termination. It is expressly agreed and understood that Administrator's authority to settle claims under this Agreement on behalf of the Company shall be revoked upon notice of termination to Administrator under (A)(iv) of this Article V, or upon the termination of this Agreement, and the Company may immediately suspend such claims settlement authority during the pendency of any dispute regarding the cause of termination.

D. It is expressly agreed and understood that upon the termination of this Agreement with respect to the Company pursuant to (B) of this Article V, Administrator's authority to write and bind any new business, or to service or manage any business under this Agreement or for the Company, as the case may be, shall be revoked, except for such business that is required to be renewed or issued because of applicable law or regulation.

E. Except as otherwise provided herein, upon the termination of this Agreement, neither Administrator nor Company shall be relieved of nor released from any obligations in this Agreement with regard to payments, expenses, reports, accounting and handling of the outstanding business existing on the date of such termination. It is agreed between the parties that they will cooperate in the handling of all such business and that Administrator, for no additional fee, shall continue to perform all its duties under this Agreement and shall remain responsible for all administrative services with respect to the business written hereunder as if this Agreement had not been terminated, including, but not limited to, premium and policy processing, claim handling and claim payments until such time as there are no other obligations with respect to the business written hereunder. Further, upon termination of this Agreement, Administrator shall not be relieved of or released from any obligation created by or under this Agreement in relation to payment, expenses, reports, accounting or handling, which relate to the outstanding business under this Agreement existing on the date of such termination.

F. Administrator shall not have a right to automatically and immediately terminate this Agreement in the event the Company is placed in receivership.

G. The Administrator shall continue to maintain all systems, programs or other infrastructure provided to the Company under this Agreement notwithstanding a seizure by a

commissioner or director under the applicable state receivership (or equivalent) act, and shall make such systems, programs or other infrastructure available to the receiver, provided that the Administrator receives timely payment of compensation pursuant to Article IV hereof.

ARTICLE VI **BOOKS AND RECORDS**

A. Administrator shall keep complete and accurate records, which shall be separate from any records maintained by the Company and separate and apart from any other records maintained by Administrator for other entities, of the business transacted by it under this Agreement, including but not limited to all policy and premium records during the term of this Agreement. All books and records whatsoever established, developed or maintained under or related to the Agreement shall, at all times, remain the property and under the control of the Company, as applicable. Administrator agrees that the Company may at any time demand and receive any and all documents, materials, papers, books and records of any kind, pertaining to the allocation of costs and expenses to the Company. All such documents, materials, papers, books and records will also be made available to the Company for inspection during all reasonable business hours and be maintained to clearly and accurately reflect the charges under the Agreement. If any regulatory body shall request any records or data of any kind relating to any of the parties under this Agreement, the parties agree that such records or data shall be made available forthwith.

B. In the event of the insolvency of the Company, Administrator agrees that the liquidator, rehabilitator, receiver, or statutory successor of Company may at any time demand and receive any and all documents, materials, papers, claim files, books and records of any kind maintained by Administrator in connection with the business, and that such documents, materials, papers, claim files, books and records of any kind which pertain solely to the Company shall become the sole property of the Company or its estate. Administrator further agrees, that in the event Company is placed in receivership or seized by the commissioner under the applicable rules or regulations, all books and records will be made available to the receiver or the commissioner as soon as practicable, and all books and records shall be turned over to the receiver or the commissioner immediately, or as soon as practicable, upon the receiver or the commissioner's request.

C. Administrator shall maintain adequate Business Continuity and Disaster Recovery Plan(s) in place to safeguard the books and records of the Company.

ARTICLE VII **AUDITS**

The Company and persons authorized by them or any governmental agency having jurisdiction over the Company shall have the right, at the Company's expense, as the case may be, to conduct an audit of the relevant books, records and accounts of Administrator upon giving reasonable notice of its intent to conduct such an audit. In the event of such audit, Administrator shall give to the party requesting the audit reasonable cooperation and access to all books, records and accounts necessary to audit during normal business hours.

ARTICLE VIII **ARBITRATION**

Any dispute or difference arising with reference to the applicable interpretation or effect of this Agreement, or any part thereof, shall be referred to a Board of Arbitration (the "BOA") of two (2) arbitrators and an umpire.

The members of the BOA shall be U.S. citizens and shall be active or retired disinterested officers of insurance or reinsurance companies or shall be active attorneys, accountants or consultants with 10 or more years' experience representing clients in the insurance industry.

One arbitrator shall be chosen by the party initiating the arbitration and designated in the letter requesting arbitration. The other party shall respond, within fifteen (15) days, advising of its arbitrator. The umpire shall thereafter be chosen by the two (2) arbitrators. In the event either party fails to designate its arbitrator within fifteen (15) days of the date of the letter initiating arbitration as indicated above, the other party is hereby authorized and empowered to name the second arbitrator within seven (7) days of the expiration of such fifteen (15) day period, and the party which failed to designate its arbitrator shall be deemed to have waived its right to designate an arbitrator and shall not be aggrieved thereby. Upon selection, as provided above, the two (2) arbitrators shall then have thirty (30) days within which to choose an umpire. If they are unable to do so, the umpire shall be appointed as provided in the Commercial Arbitration Rules of the American Arbitration Association.

Each party shall submit its case to the BOA within one (1) month from the date of the appointment of the umpire, but this period of time may be extended by unanimous written consent of the BOA.

The sittings of the BOA shall take place in New York, New York unless otherwise agreed in writing by the parties. The BOA shall make its decision with regard to the custom and usage of the insurance and reinsurance business. The BOA is released from all judicial formalities and may abstain from the strict rules of law. The written decision of a majority of the BOA shall be rendered within sixty (60) days following the termination of the BOA's hearings, unless the parties consent to an extension. Such majority decision of the BOA shall be final and binding upon the parties both as to law and fact, and may not be appealed to any court of any jurisdiction. Judgment may be entered upon the final decision of the BOA in any court of proper jurisdiction.

Each party shall bear the fees and expenses of the arbitrator selected by or on its behalf, and the expenses of the umpire shall be shared evenly by the parties.

ARTICLE IX
PERFORMANCE STANDARDS AND
EXERCISE OF JUDGMENT IN RENDERING SERVICES

A. Administrator agrees that in performing or providing functions or services hereunder, it shall use that degree of ordinary care and reasonable diligence that an experienced and qualified provider of similar services would use acting in like circumstances and experience in such matters and in accordance with the standards, practices and procedures established by Administrator for its own business. Administrator shall perform services according to servicing standards of the Company or such other standards as may be mutually agreed upon by the Company and Administrator. Administrator shall comply with all laws, regulations, rules and orders applicable to: (i) the Company with respect to the services provided hereunder or (ii) to Administrator. Administrator agrees to maintain sufficient facilities and trained personnel of the kind necessary to perform the services under this Agreement.

B. In providing services hereunder which require the exercise of judgment by Administrator, Administrator shall perform any such services in accordance with standards and guidelines the Company develop and communicate to Administrator. In performing any services hereunder, Administrator shall at all times act in a manner reasonably calculated to be in or not opposed to the best interests of the Company.

ARTICLE X
MISCELLANEOUS

A. Entire Agreement. This Agreement constitutes the entire agreement between Administrator and the Company relating to the subject matter hereof; and no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

B. Amendments. This Agreement shall not be amended, modified or terminated except (i) by a writing signed by all parties hereto or their respective successors, and (ii) with the prior approval of the relevant regulatory authorities, to the extent required under applicable law. For the avoidance of doubt, any future amendment(s) or modification(s) will be subject to the prior approval of the Company's Domiciliary Insurance Regulator.

C. Headings. Section headings herein are inserted for convenience only and are not to be considered in the construction or interpretation of any provision hereof.

D. Notices. Any notice which may or is required to be given hereunder shall be in writing and be sent by confirmed fax or recognized overnight carrier, addressed to the party for which it is intended at its principal place of business and shall be effective when actually received.

E. Partial Invalidity. In the event that any one or more of the provisions of this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not be affected or impaired thereby unless the invalidity of such provision impairs in any material respect the benefits or obligations (including without limitation, the economic benefits and obligations) of the remaining provisions or the realization of the agreements expressed herein.

F. Retention of Rights. No failure or delay by any of the parties to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement, or to exercise any right, power or remedy hereunder consequent upon a breach hereof, shall constitute a waiver of any such term, condition, covenant, agreement, right, power or remedy or of any such breach or of any preceding or succeeding breach, or preclude that party from exercising any such right, power or remedy at any later time or times. No extension of time for performance of any obligations or acts shall be deemed an extension of the time for performance of any other obligations or acts.

G. Right to Contract with Third Parties. Nothing herein shall be deemed to grant Administrator an exclusive right to provide services to the Company, and the Company retains the right to contract with any third party, affiliated or unaffiliated, for the performance of services or for the use of facilities as are available to or have been requested by the Company pursuant to this Agreement. Administrator, with Company's consent, shall have the right to subcontract with any third party, affiliate or unaffiliated, for the performance of services requested by the Company provided that Administrator shall remain responsible for the performance of services by any such subcontractors in accordance with the terms of this agreement.

H. Successors and Assigns. All of the rights, benefits and duties of the parties hereto shall inure to the benefit of and be binding upon the successors of the parties hereto. This Agreement may not be assigned by any party.

I. Governing Law. This Agreement is hereby deemed to have been made under and governed by the laws of the domiciliary state of the Company. Should litigation be filed relative to a dispute related to or arising from this Agreement, the parties agree that (i) the forum for any such litigation shall be the court for the domiciliary state of the Company (or, if more than one Company is involved, the domiciliary state of the Company that is the primary claimant) as the court of proper jurisdiction and venue for any actions or proceedings relating to this Agreement, (ii) hereby irrevocably consent to such designation, jurisdiction or venue with respect to any action or proceeding initiated in such court and (iii) hereby waive all defenses and objections to jurisdiction and venue. The provisions of this Section I are not intended to supersede or interfere with the rights of the parties to arbitrate pursuant to Article VIII of this Agreement.

J. Indemnification. The Administrator agrees to hold harmless, indemnify and defend the Company, its officers, directors and employees from and against any financial loss or any actual or threatened suits, claims, fines, attorneys' fees, penalties, judgments, damages or awards, provided said action or amount is the result of the Administrator's gross negligence or willful misconduct. The indemnification provisions shall survive the termination of this agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

ADMINISTRATOR:

NATIONAL GENERAL MANAGEMENT CORP.

By: _____
Name:
Title:

COMPANY:

**NATIONAL FARMERS UNION PROPERTY AND
CASUALTY COMPANY**

By: _____
Name:
Title:

[Signature page to Management Services Agreement]