

Administrative Services Agreement

This Administrative Services Agreement (“Agreement”) is made and entered into effective as of [], 2020, by and among Sentry Insurance Company, a Wisconsin-domiciled insurance company (“SIC”), Sentry Mutual Holding Company, a Wisconsin-domiciled mutual holding company (“SMHC”) and Sentry Holdings, Inc., a Wisconsin-domiciled stock company, (“SHI” and together with SIC and SMHC, the “Parties”).

RECITALS

WHEREAS, SIC is a wholly-owned subsidiary of SHI; and

WHEREAS, SHI is a wholly-owned subsidiary of SMHC; and

WHEREAS, each Party desires to have the ability to provide (in such capacity a “Service Provider”), and each Party desires to have the ability to receive (in such capacity a “Service Recipient”), administrative, management and investment services including, without limitation, executive, corporate strategy, business development, legal, corporate governance, product management, product development, underwriting, marketing, customer sales, customer service, policy administration, billing, claims, reserving, sourcing and procurement, human resources, business integration, communications, strategic data and analytics, financial, investment, enterprise risk, reinsurance, internal audit, licensing, compliance, information, technology services, office space, building services, security and information security (collectively the “Services”); and

WHEREAS, the Parties wish to set forth the terms and conditions under which Services will be provided.

NOW, THEREFORE, in consideration of the mutual promises made and the terms and conditions hereunder described, the Parties agree as follows:

1. Services Provided upon Request. Service Provider may provide such Services as Service Recipient may request and which are necessary or advantageous to carrying out Service Recipient’s businesses, subject to the terms and conditions of this Agreement.

2. Services Provided According to a Statement of Work.

2.1 Service Provider may provide Services described in one or more Statements of Work (each a “SOW”) entered into between the Parties. Each SOW (if any) will define the Services to be performed, the time for completion of performance (if applicable), the personnel to be assigned to perform the Services, the responsibilities undertaken by each Party, and such other terms and conditions as the Parties entering into such SOW may agree. For the avoidance of doubt, a SOW is not necessary for the provision of Services under this Agreement.

2.2 Each SOW (if any) will set forth the terms of reimbursement for Services provided under such SOW, subject to the terms of Section 4 and Section 8 of this Agreement.

3. Third Party Services. Upon agreement of the Parties, either Party may contract for services to be performed by third party vendors and contractors (“Third Party Services”) for the benefit of the Parties, and such Third Party Services shall be deemed Services under this Agreement.

4. Charges for Services. The Service Recipient will compensate the Service Provider for Services provided under this Agreement as follows:

4.1 Services Provided on the Cost Allocation Method. Except for Services provided under a SOW, the Services provided by Service Provider to Service Recipient will be at cost, based on actual out-of-pocket costs, plus an allocation percentage of other costs and expenses.

4.2 Services Provided According to a SOW. Service Recipient will reimburse the Service Provider for the cost of providing Services under a SOW in the manner and at the times specified in such SOW, but in all cases subject to the settlement provisions in Section 8 of this Agreement.

4.3 Third Party Services. The Parties will agree to an equitable allocation of costs for Third Party Services in compliance with applicable law prior to either Party engaging a provider of Third Party Services.

4.4 Compliance with Applicable Law and Guidance. All charges for Services under this Agreement will comply with applicable Law (as defined in this Agreement) and with Statutory Accounting Principles (“SAP”) or Generally Accepted Accounting Principles (“GAAP”) as applicable and consistently applied.

5. General Terms.

5.1 The Parties agree that the fundamental purposes of this Agreement are: (i) to secure the provision of Services on a cost-efficient and effective basis for the mutual benefit of the Parties, and (ii) to ensure that Service Provider receives, and Service Recipient pays, fair and appropriate compensation for Services provided under this Agreement.

5.2 Service Provider will exercise its reasonable best efforts to perform the Services hereunder in a timely and professional manner and in accordance with standards and guidelines, if any, developed and mutually agreed to by Service Provider and Service Recipient. The performance of Services by Service Provider will in no way impair Service Recipient’s oversight and responsibility for its own business and operations.

5.3 Whenever Service Provider utilizes its personnel to perform Services for Service Recipient pursuant to this Agreement, such personnel will at all times remain employees of Service Provider, and Service Provider will retain sole liability to such employees for their welfare, salaries, fringe benefits, legally-required employer contributions, tax obligations, and similar obligations as employer.

5.4 No facility or property of Service Provider or Service Recipient is, or will be deemed to be, transferred, assigned, conveyed or leased by performance or use pursuant to this Agreement.

5.5 Nothing in this Agreement will constitute or be construed to be or deemed to create a partnership or joint venture relationship between the Parties, and each Party’s status under this Agreement will be that of an independent contractor.

5.6 The Parties understand and agree that the management, control and direction of the operations and policies of each Party will remain at all times under the exclusive control of the board of directors or managers of such Party.

6. Books and Records.

6.1 Service Provider will keep accurate records and accounts of all Services provided pursuant to this Agreement. Such records and accounts will be maintained in accordance with sound business practices, in a manner that clearly and accurately discloses the nature and details of the transactions and Services, and which, in accordance with GAAP or SAP, as applicable, permits ascertainment of charges relating to the transactions and Services, and will be subject to such systems of internal control as are required by Law and by Service Recipient. All records and accounts related to the provision of Services to Service Recipient will be available for inspection by Service Recipient and its authorized representatives, including Service Recipient's independent public accounting firm, at any time upon request during commercially reasonable business hours.

6.2 All records and accounts will be the property of Service Provider, subject to the rights of inspection of a Service Recipient under Section 6.1 of this Agreement and the examination rights of insurance and other applicable regulatory authorities.

7. Compliance.

7.1 The Parties will comply with all applicable state and federal laws and regulations (collectively, "Law") in the performance of this Agreement and the Services contemplated hereby, including, but not limited to, state insurance laws and regulations and state and federal privacy and data security laws and regulations.

7.2 Service Provider will comply with written directions, policies and procedures provided by Service Recipient.

8. Settlement.

8.1 The Parties will settle all charges incurred under this Agreement monthly and on a net basis, with the settlement date being no later than the forty-fifth (45th) day following the end of each calendar month.

8.2 The Parties will periodically review and amend the settlement methods described above, if necessary, to reflect changes in business practices, changes in GAAP or SAP, or determination(s) that an inappropriate method has been used in the past which did not fairly distribute costs among the Parties.

9. Indemnification. The Party providing services under this Agreement will be solely responsible, severally and not jointly, for, and will hold harmless and indemnify the Party receiving services, including its successors, officers, directors, employees, and agents, from and against all losses, claims, damages, liabilities and expenses whatsoever, including any and all reasonable expenses and attorneys' fees and disbursements incurred in investigating, preparing or defending against any litigation or proceeding, whether commenced or threatened, or any other claim whatsoever, whether or not resulting in any liability, suffered, incurred, made, brought or asserted by any person not a party to this Agreement in connection with the Party providing service's gross negligence or willful misconduct in the provision of such services.

10. Term and Termination.

10.1 This Agreement will have a term that commences on the date set forth in the recitals hereto (the "Initial Effective Date"), and initially expires on the date which is five (5) years after the Initial Effective Date, *provided, however*, that on each December 31 after the

Initial Effective Date of this Agreement, the term of this Agreement will be extended by one (1) year so that at all times this Agreement will have a then-current term of five (5) years. Notwithstanding the foregoing, this Agreement may be terminated at any time prior to this Agreement's expiration date in the event of any of the following occurrences, subject in all events to the completion of any necessary insurance or other regulatory filings or receipt of any necessary insurance or other regulatory approvals:

10.1.1 Upon thirty (30) days' prior written notice to Service Recipient, if Service Recipient has become insolvent or has become subject to any voluntary or involuntary conservatorship, receivership, reorganization, liquidation or bankruptcy case or proceeding.

10.1.2 At any time by written agreement of the Parties.

10.2 The preceding rights of termination may be exercised without prejudice to any other remedy to which the remaining Parties may be entitled in law, in equity or otherwise.

11. Miscellaneous

11.1 Advancement of Funds. No Party will advance any funds to any other Party except to pay for Services under this Agreement, and Service Recipient will retain oversight for all Services provided to it by Service Provider under this Agreement.

11.2 Service Provider Funds. All funds and invested assets of SIC are the exclusive property of SIC, held for the benefit of SIC and are subject to the control of SIC.

11.3 Service Provider Delinquency. If Service Provider is placed into delinquency proceedings or seized by its domiciliary regulator:

11.3.1 All of the rights of Service Provider under this Agreement extend to the receiver or regulator.

11.3.2 All books and records of Service Provider will immediately be made available to the receiver or regulator and will be turned over to the receiver or regulator immediately upon request.

11.3.3 Notwithstanding anything to the contrary in this Agreement, the Parties have no automatic right to terminate this Agreement with respect to Service Provider.

11.4 Notice. Any notice under this Agreement will be deemed given when personally delivered in writing, when sent by electronic mail, when dispatched via overnight courier, or when mailed as described below, and will be deemed received when personally delivered in writing, on the date sent by electronic mail, 24 hours after being sent via overnight express courier, or 72 hours after it has been deposited in the United States Mail, registered or certified, postage prepaid, properly addressed to the Party to whom it is intended at the address set forth below or at such other address of which notice is given in accordance with this Section 11.4:

11.4.1 If to SIC, to:

Sentry Insurance Company
1800 North Point Drive
Stevens Point, WI 54481
Attn: Secretary

11.4.2 If to SMHC, to:

Sentry Mutual Holding Company
1800 North Point Drive
Stevens Point, WI 54481
Attn: Vice President, General Counsel or Corporate Secretary

11.4.3 If to SHI, to:

Sentry Holdings, Inc.
1800 North Point Drive
Stevens Point, WI 54481
Attn: Secretary

11.5 Assignment. No assignment, transfer or delegation, whether by merger, operation of law or otherwise, of any rights or obligations under this Agreement may be made by a Party without the prior written consent of the other Party, and, if required by applicable law, the insurance regulatory authorities having jurisdiction over such Party. This Agreement is binding upon the Parties and their respective permitted successors and assigns.

11.6 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to its subject matter, supersedes all prior written and oral agreements, and may not be amended except in writing signed by the Parties. The failure of any Party at any time or times to require the performance of any provision of this Agreement will in no manner affect the right to enforce the same, and no waiver by any Party of any provision or breach of any provision of this Agreement in any one or more instances will be deemed or construed either as a further or continuing waiver of any such provision or breach, or as a waiver of any other provision or breach of any other provision of this Agreement.

11.7 Severability. In case any one or more of the provisions of this Agreement is, for any reason, held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, but this Agreement will be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained in this Agreement unless the deletion of such provision or provisions would result in such a material change as to cause continued performance of this Agreement as contemplated by the Parties to be unreasonable or materially and adversely frustrate the Parties' objectives in originally entering into this Agreement as expressed in the Recitals to this Agreement.

11.8 Counterparts. This Agreement may be executed using two or more counterparts, each of which is and will be deemed an original but all of which together constitute one and the same Agreement.

11.9 Status of the Parties. Except as to matters covered by this Agreement or by another written agreement, no Party is an agent of any other, and will not be liable for the obligations, acts or omissions of any other Party.

11.10 Third-Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to nor will it confer upon any person or entity, other than the Parties and their respective permitted successors and assigns, any benefit, right or remedy whatsoever under or by reason of this Agreement.

11.11 Governing Law. This Agreement will be construed and enforced according to the laws of the State of Wisconsin.

11.12 Headings. The headings in this Agreement are for convenience only and will be accorded no weight in the construction of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Agreement this [] day of [], 2020, to be effective as of the date first above written.

SENTRY INSURANCE COMPANY

BY:

Kip J. Kobussen, Secretary

SENTRY MUTUAL HOLDING COMPANY

BY:

Kip J. Kobussen, Vice President, General Counsel and Corporate Secretary

SENTRY HOLDINGS, INC.

BY:

Kip J. Kobussen, Secretary