

2016 Dividend Frequently Asked Questions



1. What is a dividend?

A dividend is a partial return of premium to a policyholder. MEM is paying \$5 million in policyholder dividends in 2016. This dividend recognizes policyholders with effective dates in 2013 for their safety records. Policyholders at all premium levels are receiving a percentage of audited premium based on their loss ratio results. Policyholders that are both active with MEM and those who are no longer MEM policyholders are receiving dividends, if they are due.

2. Will I get a dividend check?

If you are eligible for a dividend, you will receive a check by July 3. The amount of your dividend depends on your final 2013 premium and 2013 loss ratio as of Dec. 31, 2015.

There are three reasons why a policyholder would be excluded from this dividend:

- The policy was effective for less than six months.
- The loss ratio is too high for the premium size.
- There is an amount in collections or write-off status for any policy period. If the amount owed is less than the dividend due, the remaining balance will be paid.

Previsor Insurance policies are not eligible for MEM's dividend program.

Contact your insurance agent or MEM at 1.800.442.0593 or custsrv@mem-ins.com with specific questions about your 2013 premium or loss ratio result, or to ensure MEM has your correct address.

3. What is a loss ratio?

A loss ratio is your total losses, or claims expenses, divided by the audited premium. The lower your loss ratio, the better your claims experience or safer your workplace. A policyholder dividend is a way to share MEM's favorable results with policyholders who have good loss experience.

4. Why are you paying dividends to policyholders from 2013?

Dividends are being paid on policies from 2013 because workers compensation is a "long-tailed" line of insurance. Policies from 2013 don't expire until 2014; claims are still reported and loss ratios are still developing in 2015.

MEM is developing a new Safety Dividend program that will replace this dividend program. The new Safety Dividend creates a stronger connection between workplace safety and the dividend payout, and will be paid just nine months after the policy period ends.

5. Why don't you lower my premium instead of paying a dividend?

In 2015, we did both! MEM lowered rates an average 4.3 percent in 2015. However, dividends are based on prior performance and have no relationship to the factors influencing forward-looking rates and pricing. MEM's Board of Directors approves a dividend payout when the company's financial situation allows, and MEM uses dividends to reward policyholders with safe workplaces. Pricing varies based on a policyholders' individual experience and a variety of other factors.

6. Is the dividend taxable?

It may be, so be sure to speak with your tax professional.

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7. How do I qualify for a dividend next time?

MEM is replacing our corporate dividend program with a new Safety Dividend program that more closely ties policyholders' safety behaviors and results with their dividend payouts. Watch for more details soon, but meanwhile, one strategy will keep you in the running for an MEM dividend: create and maintain safe workplace; our resources on worksafecenter.com will help.

8. With all the good things happening at MEM, I'd like to bring my business back. What do I need to do?

MEM has partnerships with independent insurance agents throughout the state who would be happy to assist you with reestablishing your MEM policy. Contact your insurance agent, or to find one in your area, visit our website at www.mem-ins.com.