

COST SHARING AGREEMENT

Effective January 1, 2009, this Cost Sharing Agreement (“Agreement”) is made by and among Motorists Mutual Insurance Company (MMIC), Motorists Life Insurance Company (MLIC), MICO Insurance Company (MICO), Motorists Service Corporation (MSC), American Hardware Mutual Insurance Company (AHMIC), AHM Insurance Agency, Inc. (Agency), Broad Street Brokerage Insurance Agency, LLC (BSB), Wilson Mutual Insurance Company (WMIC), Iowa Mutual Insurance Company (IMIC), Iowa American Insurance Company (IAIC) and IMARC, LLC, collectively known as The Motorists Insurance Group, hereinafter referred to as “the Group.”

BACKGROUND

The above companies are linked by common management and/or ownership and, as such, routinely share personnel, facilities, equipment and services. For the proper evaluation and management of each individual company, it is management’s intent and desire that each company bear all of its direct costs and, in addition, bear its proportionate share of costs incurred for the benefit of the Group as a whole, i.e., no company should be unjustly enriched at the expense of another. This Agreement shall provide the basis for the allocation of shared costs, facilities and resources among the Group.

With regard to expenses by and among MMIC, AHMIC, WMIC, IMIC, and IAIC, the allocations contained in this Agreement are not intended to be a replacement of the revenue and expense sharing components of their respective management and pooling agreements.

The allocation of expenses under this Agreement shall be done in accordance with SSAP No. 70, “Allocation of Expenses”. Shared expenses, including expenses under the terms of this Agreement, shall be apportioned to the parties to this Agreement incurring the expense as if the expense had been paid solely by the incurring party. The apportionment shall be completed based upon specific identification to the party incurring the expense. Where specific identification is not feasible apportionment shall be made as further explained in this Agreement below.

EXCLUSIONS

This Agreement does not apply to commissions; surveys & underwriting reports; audits of assured’s records, loss payments under insurance contracts; state, local or federal income taxes; insurance taxes; licenses & fees; guaranty funds and similar company-specific assessments.

Management reserves the right to bypass the allocation of costs as defined in this Agreement if, in management’s opinion, the costs are insignificant to the management of the companies and the absence of such allocations does not materially misrepresent the financial results of the affected companies.

DEFINITIONS OF SERVICES AND DEFINED ALLOCATION METHODS

BOARDS, BUREAUS AND ASSOCIATIONS:

Single-company memberships to boards, bureaus and associations shall be paid entirely by the member company. In cases where a group membership is maintained and assessments/fees are scaled to business size or volume, the basis upon which the assessments/fees are charged by the association shall also be the basis for distribution of the cost among the Group. If a fixed membership fee or assessment is made, materiality and the perceived benefits to each company shall determine if inter-company charges are made. In the latter case, direct written premium shall be the basis for any allocation.

ALLOWANCES TO MANAGERS AND AGENTS:

To the extent possible, allowances to managers and agents shall be paid directly by each company. When allowances are based or predicated on multi-company criteria, the appropriate division shall make an evaluation of the contributing factors for each company and, based on that evaluation, assign the amount or percentage of total cost to be allocated to each company. To the extent possible, the evaluations shall be based on measurable, objective criteria.

ADVERTISING:

Company-specific advertising shall be paid directly by the company being promoted. All other advertising shall be allocated among companies by the management of the department responsible for advertising and public relations. Factors such as the advertising medium, message content and frequency of delivery shall be used in the determination.

SALARIES:

For simplification, one payroll provider shall be maintained for the Group. When applicable, upon the issuance of pay statements to employees, each company shall reimburse the facilitating company for 100% of its direct employees' salaries.

Subject to exceptions noted below, salary charges for inter-company services shall be based on time studies, surveys, and estimates within the affected division. For recurring or ongoing functions, such time studies, surveys, and estimates shall occur no less frequently than annually. Time studies, when used, shall be of sufficient frequency, magnitude and duration to ensure that results are not distorted by periodic and temporary shifts or fluctuations in work volume. For special short-term projects, salary allocations may be based on project time schedules and records or may be based on management interviews and estimates.

Because of the unique requirements and geographic diversity of activities involved in the settlement of property/casualty losses for MMIC, MICO and AHMIC, internal claims adjustment services and legal services related to the adjustment of property/casualty claims (collectively referred to as Unallocated Loss Adjustment Expenses or ULAE) shall be allocated and charged to these individual companies using the following procedures:

- Total ULAE for MMIC, MICO and AHMIC will be accumulated as one total.
- The total ULAE will then be segregated into a “Defense and Cost Containment” component and an “All Other” component.
- The “All Other” component of ULAE will be allocated to individual companies based on weighted claim counts. Weightings shall be determined by the claims division no less frequently than annually.
- The “Defense and Cost Containment” component of ULAE will be distributed to individual companies based on average suit counts and open suit reserves as of the beginning and end of the accounting period.

Internal claims adjustment services and legal services related to the adjustment of property/casualty claims for other affiliated insurers shall be billed by the provider company and reimbursed by the company which benefited from these services on an individual claim basis based on a rate adequate to cover the salary, payroll tax, employee relations, actual travel and other actual incidental costs.

Salaries for investment management services, when performed by employees of the Group, shall be allocated and charged to individual companies based on the average beginning and end of the period portfolio size of each company and/or the volume of trading activity during the evaluation period.

PAYROLL TAXES:

Whenever services are provided by an employee of one company for another company in the Group and an inter-company salary charge is made, a payroll tax charge shall also be made by applying a “Payroll Tax Ratio” to the inter-company salary charge. The Payroll Tax Ratio, for purposes of this section, shall be the ratio of the provider company’s incurred “Payroll Taxes” for the prior year to incurred “Salaries & Wages” for the same period.

EMPLOYEE RELATIONS:

When identifiable, each company shall pay its own employee relations and welfare costs. Examples of such benefits would be employee education reimbursements and employee-specific awards.

For convenience and economy of scale, many benefit plans are administered for the Group as a whole. For such plans, allocations to individual companies shall be based on ratios of salary dollars, employee count, or a combination thereof. Each company's share of such expenses shall be determined no less frequently than annually.

Whenever services are provided by an employee of one company for another company in the Group and an inter-company salary charge is made, an Employee Relations & Welfare charge shall also be made by applying an "Employee Benefits Ratio" to the inter-company salary charge. The Employee Benefit Ratio, for purposes of this section, shall be the ratio of the provider company's incurred "Employee Relations & Welfare" expense for the prior year to incurred "Salaries & Wages" expense for the same period.

INSURANCE:

Insurance covering two or more companies of the Group shall be analyzed at each policy renewal. The exposure base used by the carrier to charge premiums to the Group shall also serve as the basis for the allocation of premium charges to individual companies of the Group. The same is true for audit or retrospective premium charges. This section does not apply to reinsurance transactions among the group. Reinsurance is covered by separate agreements.

DIRECTORS' FEES:

Directors' fees and expenses, when identifiable, shall be paid directly by the sponsoring company. For common expenses of individuals who serve as directors for more than one company in the Group, an allocation of costs to individual company shall be provided by the MMIC CFO based on his/her assessment of the services provided.

TRAVEL AND TRAVEL ITEMS:

As a general rule, travel costs will be paid by the company that employs the individual who incurs the cost. If, however, an employee of one company incurs travel costs related entirely to a different company, all travel costs related to that trip shall be paid by the company receiving benefits from the trip and a reimbursement, if necessary, shall be made upon the completion of the employee's travel expense report. An exception to the general rule may occur when significant travel costs are incurred in efforts to consolidate operating segments of two or more companies, in which case the costs shall be shared equally among the participating companies.

In those instances where company cars are purchased by the parent company and used by an affiliate company, an equitable monthly charge will be passed to the affiliate. Pool car charges shall be paid by each company based on actual usage by its employees or shall be charged at a daily rate as determined by the fleet manager. The daily rate shall be a competitive rate and shall not include charges for gasoline or other replaceable fluids which shall be paid for separately, as needed, by the company using the vehicle.

Professional organization dues shall be paid by the member company when individual corporate memberships are purchased or by the employee company when the membership is purchased for an individual employee. If a Group membership is purchased and the fees are significant, variable, and/or based on company size or activity, the basis used for determining the variable fee or assessment by the organization shall also be the basis for allocating the cost among the companies of the Group. If fees are fixed, the size of the fee and the perceived benefits to each company shall determine whether inter-company charges are made. In the latter case, direct written premium shall be the basis for any allocation. Group fees deemed to be insignificant shall remain in the accounts of the original payor.

RENT AND RENT ITEMS:

Rent for properties owned by a company in the Group shall be charged at a competitive rate based on the space occupied by each company's employees. Rent and associated charges for leased properties shall be charged at the same rate as is charged to the primary tenant by the lessor. Escalation, rent adjustment, and utilities charges shall be shared in the same proportion as a base rent. Rent charge backs shall include parking facilities, but exclude common areas (lobbies, conference rooms, etc.).

Whenever services are provided by an employee of one company for another company in the Group and an inter-company salary charge is made, a rent charge shall also be made by applying a "Rent Ratio" to the inter-company salary charge. The Rent Ratio, for purposes of this section, shall be the ratio of the provider company's incurred "Rent & Rent Items" expense for the prior year to incurred "Salaries & Wages" expense for the same period.

EQUIPMENT:

Equipment, including computer hardware and software, when used exclusively by one company, shall be charged entirely to the user company. If the charge for such single-company equipment is included in a multi-company order or invoice that, for convenience, is paid by a company other than the user, all costs for equipment, including applicable taxes and a proportionate share of the freight, shall be reimbursed. The cost of equipment shared by companies in the Group (e.g. mainframe computers) shall be allocated to individual companies based on measured use, where practicable, or based on surveys, time studies, or management allocations when specific measurements of use cannot be determined.

Equipment owned by one company but used by another, e.g. telephones, shall be charged to user companies at a competitive monthly rate based on the actual number of installations.

Whenever services are provided by an employee of one company for another company in the Group and an inter-company salary charge is made, an equipment charge shall also be made by applying an "Equipment Expense Ratio" to the inter-company salary charge.

The Equipment Expense Ratio, for the purposes of this section, shall be the ratio of the provider company's incurred "Equipment" expense for the prior year to incurred "Salaries & Wages" expense for the same period.

PRINTING AND STATIONERY:

Printing costs for company-specific forms will be paid by the user company. If company-specific printing is done using the print facilities of another company in the Group, charges shall be accrued and reimbursed monthly based on an estimate of time and materials.

External printing costs shall be paid by the requesting company and shall not require reimbursement unless the billed amount was paid by another company as part of a larger, multi-company invoice or the printed material serves a multi-company function and the cost is significant. In the latter case, direct written premium shall be the basis for any allocation.

Company-specific books, manuals and periodicals shall be paid by the subscribing company. The cost of generic books or multi-company usage books, manuals and periodicals shall be shared equally among the user companies if the cost is significant, or paid fully by any company in the Group when cost is immaterial.

OFFICE SUPPLIES:

Office supplies shall be paid by the requesting company and shall not require reimbursement unless the billed amount was paid by another company as part of a larger, multi-company invoice or the supplies serve a multi-company function and the cost is significant. In the latter case, employee count shall be the basis for any allocation.

POSTAGE, TELEPHONE AND EXPRESS:

Postage shall be charged to companies at a standard monthly rate based on surveys which shall be conducted no less frequently than annually. The surveys shall be of sufficient frequency, magnitude and duration to ensure that temporary fluctuations in volume do not distort the results.

Costs of local and long distance phone calls, exclusive of equipment charges, shall be reimbursed monthly based on actual telephone usage reports and/or other appropriate allocation methods such as phone equipment locations.

Freight bills, when not directly assignable, shall be shared proportionately among the companies based on the number of items shipped.. If the costs are relatively small, management can decide to bypass the allocation of the costs to companies.

INVESTMENT CUSTODIAN FEES:

Investment custodian fees and similar charges shall be charged to each company directly by the service provider, when practicable. When charges are not (or cannot) be billed directly to each company by the provider, custodial fees shall be allocated and charged to individual companies based on their average investment portfolio size at the beginning and end of the period.

LEGAL AND AUDITING:

When possible, legal professionals, auditors and other consultants should be instructed to submit a separate invoice for each company when working on multi-company projects. When this is not practicable, management shall determine the proportionate share of the total cost to be paid by each company. In making a determination, company size, the volume of the company activity for the procedure or issue under review, and management's perception of each company's benefit from the review can all be factors.

ALLOCATION PROCEDURES

For those allocation bases determined by periodic reviews, the reviews shall be conducted no less frequently than annually. Reviews shall be initiated by the Accounting Division through written or electronic communication to other operating divisions. Reviews should be performed whenever a significant change in processes or business activity occurs.

Upon completion of the surveys or reviews by operating divisions, results shall be forwarded to the Accounting Division where schedules of inter-company charges, showing projected annual amounts and comparison to prior charges by company, division and account category shall be prepared.

The schedules of inter-company charges shall be forwarded to the MMIC CFO for review and discussion with officers of the other companies. If any charges are questioned or challenged, further review and modifications, if necessary, shall be performed. If the current analyses indicate past charges have been materially under-stated or over-stated, a management determination will be made regarding lump-sum, retro-active adjustments or adjustments to future planned charges as reimbursement.

Once approved, the revised charges shall be made effective with the next month's inter-company billing cycle.

NO EXTERNAL PARTY BENEFIT

This Agreement is intended for the exclusive benefit of the parties to this Agreement and their respective heirs, successors and assigns and nothing in this Agreement shall be construed as creating or conveying any rights or benefits in or to any other party.

OWNERSHIP OF AND ACCESS TO RECORDS

Each party shall own its general corporate books and records. Each party to this Agreement shall retain the right of continuing access to the books and records of the other party sufficient to permit the parties to fulfill all of their contractual obligations under this Agreement. The parties agree that the appropriate departments of insurance shall have access to books and records associated with this Agreement during normal business hours and upon reasonable advance notice.

PAYMENTS FOR SERVICES

All payments due under this Agreement to any party shall be due and paid within thirty (30) days after any request for payment which shall normally occur on a monthly basis, but in any event not less often than quarterly.

GOVERNING LAW

All questions concerning the validity or meaning of this Agreement or relating to the rights and obligations of the parties with respect to performance under this Agreement shall be construed and resolved under the laws of Ohio, without regard to Ohio choice of law rules. The parties to this Agreement hereby designate Franklin County (Ohio) Common Pleas Court as the court of proper jurisdiction and venue for any actions and proceedings relating to this Agreement and hereby waive all defenses to jurisdiction and venue.

ASSIGNMENT

None of the parties to this Agreement shall have the right to assign or otherwise transfer rights or delegate their duties under this Agreement to any third party without the prior written consent of the other parties.

INDEMNIFICATION

Any party to this Agreement shall indemnify and hold harmless all other parties to this Agreement, their directors, officers, employees and agents against all claims, losses and reasonable costs and expenses (including, without limitation, reasonable attorneys fees and costs) arising out of any action or inaction taken or omitted to be taken by any party or its agents, employees or subcontractors in connection with its obligations under this Agreement, including any actions or inactions taken by or at the direction or with the approval of any party's board of directors.

AMENDMENTS

No part of this Agreement shall be amended without the consent, expressed by written signature, of at least two officers of the participating companies.

TERMINATION

This Agreement may be terminated:

- (a) by mutual agreement of the parties; or
- (b) by either party giving at least ninety (90) days written notice to the other parties; or
- (c) if the parties are no longer affiliated.

(Signature)

(Signature)

Chairman & CEO
(Title)

Treasurer
(Title)

Signing For:

Signing For:

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 Motorists Life Insurance Company
 MICO Insurance Company
 Motorists Service Corporation
 American Hardware Mutual
 Insurance Company
 AHM Insurance Agency, Inc.
 Broad Street Brokerage
 Insurance Agency, LLC
 Wilson Mutual Insurance Company
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