



HSB Producer Compensation Disclosure (United States)

Producers

HSB primarily sells its insurance products and services through an extensive network of independent insurance agents and brokers, and we consider this the preferred way of distributing our products. We call these independent agents and brokers "producers."

Producers are not our employees. Producers may receive compensation from us for placing your insurance with us. This is an overview of how we may compensate producers. Not all Producers receive the types of compensation listed below and HSB does not always pay the types of compensation listed below.

Producer Compensation

HSB's compensation system is intended to encourage producers to sell our products, to assist us in evaluating risks and servicing accounts, and to maintain a volume of profitable business with us. HSB's compensation program primarily falls into producers receiving a base commission for business placed with HSB. In addition, from time to time, HSB may pay the following types of compensation: 1) contingent compensation; 2) fixed, value-based compensation; 3) promotional expense reimbursements; 4) fees for services. We might not pay all these types of compensation, or any compensation, to a producer who places a policy with us.

- **Base Commission Programs**

- We generally pay producers a fixed commission for business placed with us. We pay commission on new and renewal policies. This commission is usually a fixed percentage of the premium a policyholder pays. The percentage varies according to factors such as the type of business, the type of risk, and the state where a risk is located. The commission range of 0%-20% applies to HSB Total Cyber™.

- **Contingent Compensation Programs**

- Contingent compensation agreements, sometimes referred to as performance plans or profit sharing programs, provide for payment when the producer achieves various pre-set goals. A producer may have separate contingent compensation plans with our different business units. We normally evaluate performance against the pre-set goals annually. If the producer has met the goals, the payment amount is usually a percentage of the premium a producer has placed with us for specific types of insurance
- A contingent compensation plan generally uses one or more goals, separately or in combination, to determine if a producer will receive a payment. These goals may include:
 - **Profitability**
 - We measure a producer's profitability by comparing losses to premium on the policies the producer placed with us for specific types of insurance. The policies the producer has placed with us must achieve a pre-set ratio of losses to premium to be considered profitable.
 - **Volume**
 - We measure the premium volume of policies a producer places with us. We may measure one or more types of insurance.

- **Growth and Retention**
 - We measure whether the amount of business a producer has with us is increasing or decreasing. We may look at change in premium volume, change in the actual number of policies, number of newly written policies, policy-renewal ratios, or a combination of these. These calculations may vary by type of insurance.
- **Annual Plan Performance**
 - We measure if a producer has met pre-set performance goals relating to account services, such as the percentage of the producer's customers who sign up for electronic fund transfer premium payments. These goals often differ by business unit and by producer.
- **Fixed, Value-Based Compensation Programs**
 - We pay some producers fixed, value-based compensation on eligible new and renewal policies written during a pre-determined period of time.
- **Promotional Expense Reimbursements and Other Expenses**
 - We may also reimburse or advance certain producers' expenses relating to marketing activities. We may, from time to time, provide equipment and other benefits, and may reimburse a producer's advertising costs, travel to and attendance at HSB-sponsored conferences or events, training expenses, or the costs of other goods and services that help to promote our company and our products.
- **Fees for Services**
 - We may pay fees to a limited number of producers for services they provide to us. These fees may be a fixed amount, or the fee may vary depending on premium volume, or other factors we establish. The producer may perform a range of services for us, including, but not limited to, providing: (1) consulting services; (2) access to platforms that provide analytics with regard to business submitted to us by that producer as well as other metrics regarding our market performance; and (3) information that will assist us in improving our offerings to better meet the needs of our customers.

Ownership Interest in a Producer

HSB owns HSB Associates, Inc., a licensed Producer that operates in several states.

Additional Information

If you would like additional information regarding compensation arrangements applicable to your account, please contact your insurance broker or your independent insurance agent directly.

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