

Your Dividend: A Definitive Mutual Benefit

The LAMMICO Board of Directors proudly declares **the 12th consecutive dividend**, demonstrating LAMMICO's commitment to return the benefits of your company's excellent financial position and operations to you – the mutual owners of this enduring partnership. As a LAMMICO policyholder, your mutual ownership not only drives our operating principles, but it also results in financial returns on your investment in this company.

Frequently Asked Questions:

- 1. Why does LAMMICO issue a dividend instead of decreasing our rates?** LAMMICO rates are determined based on an independent actuarial projection of judgments or settlement and defense costs of anticipated future claims each year. Costs associated with claims received in a calendar year are paid over a period of many years, thus, LAMMICO works each year with its independent actuary to estimate the amount of funds that must be reserved in order to meet future obligations. As claims are closed, these estimates are refined to reflect our actual claims experience. Dividends are determined based on the development of claims from past years. In 2018, it was determined that the company's loss experience for prior years was more favorable than originally estimated, which resulted in a reduction to the company's claim reserves. We are passing these savings along to you in the form of a dividend. A dividend will not jeopardize LAMMICO's ability to pay potential future claims. LAMMICO remains committed to returning the exceptional financial results to our policyholders.
- 2. How was the dividend calculated and who will receive it?** The dividend is 4% of the LAMMICO portion of the written premium on LAMMICO policies in force for all policyholders, including individuals, groups and healthcare facilities as of December 5, 2018 (excluding medical student and tail policies).
- 3. My dividend is only about 2.5% of what I pay in malpractice premiums. I thought we were to receive a 4% dividend. Why is there a discrepancy?** The dividend is 4% of the LAMMICO portion of the written premium on your LAMMICO policy in effect as of December 5, 2018. The total premium paid by policyholders in Louisiana for medical malpractice insurance includes the Louisiana Patient's Compensation Fund (PCF) surcharge. The dividend is a LAMMICO-specific dividend and, accordingly, does not apply to the PCF surcharge.
- 4. My dividend check should be made payable to a different recipient. What should I do?** Complete a "Dividend Payee Form", available at www.lammico.com/dividend. LAMMICO asks that this request be made prior to the negotiation of the check to determine if the check can be returned to LAMMICO and then re-issued to the appropriate recipient. **Once the check is negotiated, LAMMICO can make no further corrections to the payee.** Should you have any questions, contact Sherri Pitre in the LAMMICO Finance Department at 504.841.5223 or spitre@lammico.com.
- 5. Will I receive a Form 1099 if I receive a dividend check?** Yes, LAMMICO reports this payment to the IRS and will send a Form 1099-MISC to you in early 2020, *if* your total 2019 payments from LAMMICO (including this dividend) are over \$600. The payee of the check will receive the 1099 regardless of who negotiates the payment.
- 6. My group pays the premiums, and I had to sign over my dividend check to the group. How should I handle the Form 1099-MISC? Please refer to question #4 above to determine if a check can be re-issued to the correct entity prior to the negotiation of the check.** LAMMICO is required to issue the Form 1099-MISC to the payee on the check. If the check has been negotiated, you can fill out a Form 1099-MISC as the payer and list the group as the payee. Send one copy to the IRS and another copy to the group. Attach a Form 1096, listing yourself as the filer and send to the IRS before January 31, 2020. This will transfer the Form 1099 to the group.
- 7. Where can I get a copy of Forms 1099-MISC and Form 1096?** To obtain these forms, please call the IRS at 1-800-TAX-FORMS. The forms will also be available at the beginning of next year at Office Depot. Do not use the forms currently on the IRS website. They are provided on the website for informational purposes only and cannot be used for actual filing as required by the IRS since they are not scannable documents.
- 8. Will I have to claim this dividend on my taxes?** In most cases, if you receive a Form 1099-MISC from LAMMICO, you will have to claim this on your tax return. A refund of premium (which is the nature of this dividend) does not receive the same tax treatment as a stock dividend, so we recommend that you contact your tax advisor regarding the specific tax treatment of this payment.
- 9. The policyholder is deceased. What should I do with the check?** Please call LAMMICO at 800.452.2120 and speak with your Underwriter or Assistant Underwriter. They will gather the necessary information, and you will receive a call from our Legal Department explaining how this situation will be handled.

