

Enhanced Compensation Plan Letter of Understanding

The Enhanced Compensation Plan is a discretionary program designed to provide additional compensation that rewards new agency owners for profitable growth and helps them deliver on the customer value proposition through the trusted advisor model.

It is critical that you carefully consider what you must do in order to succeed and remain compliant within Allstate's R3001 Exclusive Agency Program. There are a variety of criteria that you must satisfy, and those criteria include but are not limited to creating an appropriate business plan as well as ensuring that you appropriately staff your agency. EA Candidates should have sufficient liquid capital to invest and adequate cash flow to sustain the agency. While you are solely responsible for deciding how to recruit, hire and manage your employees, you should know the Enhanced Compensation Plan has been designed for agency owners who employ at least three licensed sales professionals. Given Allstate's desire to ensure you take all necessary steps to place your agency in the best position to succeed, Allstate will not appoint you as a new agent until you complete all onboarding tasks which include, but are not limited to the steps highlighted below:

- Must complete the Agent Selection Questionnaire (ASQ) and obtain a pass score (if applicable);
- Must have results on the background check which are satisfactory to the Company;
- Must read the Form U-4, Uniform application for Securities Industry Registration or Transfer, and must read and sign the Letter of Understanding;
- Must obtain the appropriate individual resident (and non-resident, if applicable) licenses and an agency license and/or registration, where required by law, if signing the C version of the R3001 Agreement;
- No later than 7 days prior to entering the education phase:
 - Must submit an acceptable Business Plan that includes goals for P&C Growth, Allstate Life and Retirement, and Profitability
 - Must complete Demographic survey
 - Must have access to Allstate Systems
 - NTID
 - 2 Factor Authentication

Please note that while Allstate may provide you with access to an Exclusive Agency onboarding portal to provide resources to assist you with the onboarding process, completion of onboarding tasks and status updates in the portal do not constitute confirmation that you have completed all of the requirements for qualifying to become an Allstate R3001 Exclusive Agent. Allstate retains the sole and exclusive discretion to determine whether and when you have satisfactorily completed the requirements for qualifying to become an Allstate R3001 Exclusive Agent which will be confirmed only upon execution of the R3001 Agreement.

- **All** Licensed Sales Professionals (LSPs) are entered into the staff tracking tool no later than 15 days prior to appointment date and a minimum of 3 LSPs are required to be appointed with Allstate on the effective date of your R3001 Agreement.

- All LSPs processing sales transactions on behalf of the agency must be disclosed to Allstate by declaring them in the staff tracking tool - MMS (manage my staff), even if only employed for a short timeframe.
- LSPs must be licensed and appointed (if required by law) in the state of the agency location and must be declared in the Manage My Staff tool. Agency staff are **not** permitted to bind business outside of the state of the agency location (even if licensed) unless granted binding authority via approval by Allstate's ECP Governance Committee (your sales leader will support your submission for approval).
 - LSPs approved by the ECP Governance Committee to bind outside of the state of agency location are required to obtain binding authority for each state that has been approved prior to binding new business.
- Additional LSPs working on behalf of the agency owner after appointment date must be added to MMS prior to binding new business and approved by Allstate

You must adhere to all provisions of the R3001 Agreement and its incorporated materials. This includes, but is not limited to the following:

- You must disclose any and all ownership interests in your agency (i.e. shareholders, LLC members). Ownership of the agency corporation is limited to the individual signing the agreement (key person) and any "declared" shareholder or LLC member approved by Allstate. ***No silent equity owner(s) are ever permitted.***
- Sharing of individual passwords for access to Allstate systems is never allowed. Each LSP agency staff must only use their personal and assigned system access NTID and their own password
- Licensed activity must never be performed by any unlicensed and/or unappointed individual
- If you have a family member that is an existing Allstate Exclusive Agent, please note that you are prohibited from shifting business that originated in your agency to your family member's Allstate agency. Likewise, your family member may not shift business to your agency.

By signing this letter of understanding, I am acknowledging that **effective May 1, 2019:**

1. All ECP agencies who reach \$5 million in total ECP eligible written premium will be graduated to the Established agency compensation program; AND
2. An 18-month waiting period will be implemented for any former Exclusive Agent (includes family members as defined by FINRA) to open a new ECP agency; AND
3. Agencies that terminate their primary location will lose their ECP eligibility. The ESA will be converted from the ECP program the month following the termination of their Established location.
4. ECP eligible agencies who purchase more than the end point of their premium month curve will be converted to the established agency compensation program
5. If I am purchasing an Enhanced Compensation Plan book under \$1.5 million (or appropriate curve duration end point based on cash flow market), I am confirming that I have reviewed the Exclusive Agency Opportunity Tool (EAOT) and that I acknowledge the premium base is separated and does not advance the ECP curve.

In addition, by signing this letter of understanding, I am acknowledging that **effective May 1, 2020:**

1. Start-up / scratch Enhanced Compensation Plan (ECP) agency owners will no longer be appointed into the scratch opportunity on ECP after April 1, 2020.
2. ESAs will only be ECP eligible in the scenario as outlined here:
 - If the agency owner that is selling is currently on ECP, and the book of business is less than \$1.5M (or appropriate end-point of the mid-tier ECP curve for their market), a current EA could be eligible for an ECP ESA, pending regional approval.
 - If the current agency owner that is selling is not currently on ECP, and the book of business is less than \$1.5M (or appropriate end-point of the mid-tier ECP curve for their market), the book would not be eligible to be purchased as an ECP ESA.
 - Splitting books to create ECP eligible purchases is not allowed.

By signing below, I understand that in order to be offered the opportunity to become an Allstate R3001 Exclusive Agent, I must complete to Allstate's satisfaction all requirements which Allstate deems are necessary to be eligible for the Exclusive Agency opportunity. Failure to properly disclose staff and agency ownership may jeopardize my relationship with Allstate. Further, Allstate retains the sole and exclusive discretion to determine whether and when I have satisfactorily completed the requirements for qualifying to become an Allstate R3001 Exclusive Agent.

Agency Owner (printed): _____

Agency Owner (signature): _____ Date: _____

By signing below, I have reviewed this acknowledgement with agency owner candidate.

Field Sales Leader (printed): _____

Field Sales Leader (signature): _____ Date: _____