

# What to know about dividends.

## ► Workers' Compensation

### What is a flat dividend?

A flat dividend is a policyholder dividend paid to the customer as a flat percentage of the standard premium, which is usually between 4 and 40 percent.

### Do flat dividends change the premium billed?

No, flat dividends do not change the premium billed throughout the term. The customer is still billed based on the estimated annual premium (if direct billed) or actual premium (if payroll billed), excluding any application of a dividend. The estimated dividend payout displays in ICON and in the workers' comp quote proposal as reference only as to what the insured can expect to receive at audit, subject to any policy changes throughout the term.

### When do my customers receive the dividend payout?

Flat dividends are paid out during the premium audit transaction. It is a percentage of the standard premium when the final premium audit is completed.

#### Here's an example.

When quoting in ICON, on the premium summary screen the premium is displayed. Right below, if you're quoting your small business customer with a dividend, the estimated dividend payout and estimated annual net cost will display. If the customer was issued the policy, they'll be direct billed \$16,770.

- Assuming there are no changes throughout the policy term, the estimated dividend payout, \$2,501 is what can be expected to be returned when the final premium audit is completed. The annual net cost for the customer would be \$14,269 reflecting the amount the customer paid through the term minus the dividend payout at audit.
- If there are changes throughout the term, the dividend payout will change accordingly – calculated based on the dividend percentage offered multiplied by the standard premium at premium audit completion.
- If the customer is owed a payout, they'll get any amount owed because of their premium audit plus the dividend payout in one payment.
- If the customer owes more money because of the audit transaction, this will be offset by the dividend payout to reduce the amount owed.

To learn more, contact your Small Business sales representative or underwriter.

