



To: Beacon Policyholders
Date: January 9, 2014
Re: Beacon Mutual Dividends

Beacon Mutual's Board of Directors has declared a two percent (2%) dividend to all policyholders of record as of December 30, 2013.

Dividends will be based on the final audited premium of each policy in good standing after its term expires. Therefore, although some dividends will be mailed in April 2014, it will take a year for all dividends to be paid to all qualified policyholders.

Here are some frequently asked questions and answers concerning the Beacon dividend. Please feel free to call your agent if you need more information.

Frequently Asked Questions

- Q. When will checks be mailed out?**
A. Dividend checks will be mailed within 60 days after a policyholder's final audit has been completed and all amounts due under the policy have been paid to Beacon, including any audit additional premium.
- Q. What policies will receive a dividend?**
A. Policies in force for one annual term as of December 30, 2013.
- Q. Is this dividend in addition to the dividend declared by Beacon for all policyholders of record as of December 30, 2012?**
A. Yes. Qualified policyholders of record on December 30, 2012 and December 30, 2013 will receive a 4% dividend for 2012 and a 2% dividend for 2013.
- Q. Will short term policies receive a dividend?**
A. No. Dividends will only be issued for policies that are in force for an annual term.
- Q. What premium will the dividend be based on?**
A. Dividends will be based on the final audited premium of each policy after its term expires. Therefore, although some dividends will be mailed commencing in April 2014, it will take a year for all dividends to be paid to all qualified policyholders.
- Q. Will a dividend be paid if a policy premium is written off to bad debt and sent to collections?**
A. No. Dividends will only be paid to accounts in good standing.
- Q. Will Argonaut premiums be included in the dividend calculation?**
A. Yes. A 2% dividend will be issued on premiums paid to Beacon for qualified out-of-state policies issued by Argonaut. This dividend will be paid in a separate Beacon check and will be mailed within 60 days after a policyholder's final audit of its Argonaut policy has been endorsed subject to all other dividend rules.

(continued)

Q. How will this dividend affect shared earnings?

A. Dividends are not part of premium; therefore, shared earnings will not be impacted.

Q. Will the dividend affect the loss ratio?

A. Dividends are not part of premium; therefore, loss ratio will not be impacted.

Q. Will the dividend be a separate check or can it be applied to an outstanding balance or future installments?

A. The dividend will be a separate stand-alone check. It cannot be applied to any past or future premiums due.

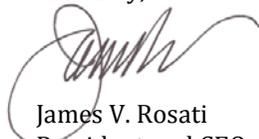
In spite of the difficult economy, Beacon is able to provide this dividend as a result of capital gains on investments. The dividend collectively will result in \$2,300,000 being returned to the Rhode Island business community. Beacon also issued policyholder dividends in 2011, 2012 and 2013.

In addition, through its dedicated employees, Beacon continues its commitment to increasing efficiencies and reducing operating costs through automation and innovation, creating value for our policyholders every day while maintaining our hallmark, high levels of customer and claims service.

We remain focused on reducing workplace injuries through safety training and treating injured workers professionally and with respect, while getting them back to work as safely and as soon as possible. Those goals have contributed to the stabilization, fiscal health and proper functioning of Rhode Island's workers' compensation system.

We thank you for your business.

Sincerely,



James V. Rosati
President and CEO
The Beacon Mutual Insurance Company