



# PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE

## Subscriber's Agreement Summary and Signature Page

As a reciprocal insurance exchange, Privilege Underwriter's Reciprocal Exchange (PURE) is an unincorporated association of subscribers operating as an insurer through a Subscriber's Agreement & Power of Attorney (Agreement) which all subscribers are required to sign. Please review the attached Agreement and sign below to acknowledge your intention to be legally bound by its terms and conditions.

A summary of the key business provisions of the Agreement is as follows:

**Non-Assessable Policies:** PURE only issues non-assessable policies consistent with all applicable state statutes. Your liability as a Subscriber of PURE is limited to the costs of your insurance including premiums and surplus contributions (described below) for your policies.

**Management of Insurer:** You are designating PURE Risk Management, LLC (PRM), a for profit entity, to be the attorney-in-fact for PURE. As attorney-in-fact, PRM will manage all insurance operations for you and other PURE subscribers.

**Management Compensation:** PRM will be compensated by fees of 17% of Gross Written Premium for Marketing and Underwriting Services plus 5% of Gross Earned Premium for Claims Service and Management. PURE retains certain expenses outlined in the attached Agreement and the Attorney-In-Fact Agreement available at [pureinsurance.com/misc/agreements](http://pureinsurance.com/misc/agreements).

**Subscribers' Advisory Committee:** PURE has established a Subscribers' Advisory Committee (SAC) to give you a voice in the operations of PURE, to exercise Subscribers' rights and supervise PURE's finances and its operations to the extent of assuring conformity with this Agreement and the Attorney-in-Fact Agreement. PURE indemnifies SAC members and you agree not to sue SAC members for their service. To learn more about the SAC and its members, visit [pureinsurance.com/sac](http://pureinsurance.com/sac).

**Surplus Contributions:** Each Subscriber makes surplus contributions during the first five (5) full years of continuous PURE membership and those contributions reduce the cost of PURE's capital. Surplus contributions are set at 10% of total annual Homeowners and Watercraft premiums, and 4% of total annual premiums for all other policies. Surplus contributions are billed and collected with your premium. Subscribers should not expect a return of surplus contributions other than on a pro-rata basis for policies cancelled mid-term. Any return of surplus contributions is subject to the approval of PRM and the Florida Office of Insurance Regulation (OIR).

**Subscriber Savings Accounts (SSAs):** SSAs are notional accounts held for each active PURE subscriber. PURE is committed to return its underwriting profit back to subscribers by allocating it to SSAs and will look to return at least a portion of any surplus growth in years without underwriting profit. Funds allocated to SSAs remain on PURE's balance sheet and are available as part of its overall claims paying ability. Funds may be allocated to SSAs subject to the prior written approval of the Florida Office of Insurance Regulation (OIR). Unlike surplus contributions, PURE subscribers should expect a return of their ending SSA balance upon their full withdrawal from PURE membership. For more information, visit [pureinsurance.com/ssa](http://pureinsurance.com/ssa).

**Amendments:** The Agreement may only be amended jointly by the SAC and PRM and amendments shall be subject to the prior written approval of the OIR and shall be effective as to all subscribers immediately. Amendments will be disclosed in a subscriber communication and continuation of any of your policies after disclosure of the amendment will constitute your agreement to be legally bound by the amendment.

This is a summary of the Agreement, please read the entire three pages of the Agreement for the precise terms you are agreeing to when you sign below.

I acknowledge and agree and intend to be legally bound by all terms and conditions contained in the Agreement.

Receipt Acknowledged:  
Privilege Underwriters Reciprocal Exchange,  
a Florida domiciled Reciprocal Insurer  
By: PURE Risk Management, LLC, Attorney-in-Fact  
Document version dated 2014

\_\_\_\_\_  
Signature and Date

\_\_\_\_\_  
Name (Please print.)



# PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE

## Subscriber's Agreement Summary and Power of Attorney

The signing Subscriber ("Subscriber") to Privilege Underwriters Reciprocal Exchange ("PURE"), a Florida domestic reciprocal insurer offering personal insurance coverages, agrees together, with all other subscribers to PURE, and with PURE Risk Management, LLC ("PRM"), a Florida limited liability company, as the attorney-in-fact ("Attorney-in-Fact") for PURE, as follows:

**1 Power of Attorney:** The Subscriber hereby appoints PRM as the Attorney-in-Fact with the express authority and permission to effectuate and conduct the lawful business affairs of PURE. This authority includes the ability to carry out all customary functions of a reciprocal insurance company, including but not limited to the following responsibilities:

- |  |  |
|--|--|
| Exchange with other subscribers to PURE any and all kinds of reciprocal insurance contracts for which PURE is authorized by law to write | Open accounts and borrow money in the name of PURE                   |
| Issue, exchange, renew, non-renew, or cancel or modify insurance policies  | Hire and compensate personnel and agents                             |
| Adjust, settle, defend, litigate, appeal, and pay claims or losses under the insurance policies of subscribers                           | Collect premiums and invest and reinvest funds                       |
| Act as intermediary to obtain reinsurance  | Receive notices and proof of loss                                    |
| Accept service of process on behalf of PURE in actions against PURE upon contracts exchanged   | Determine the amount and distribution of Subscriber Savings Accounts |

This power of attorney is limited to the purposes described in this Agreement.

In consideration for the services provided to PURE, PRM will deduct from advance premium and/or collect from deposits its initial compensation as follows:

- 17% of Gross Written Premium for Marketing and Underwriting Services
- 5% of Gross Earned Premium for Claims Service and Management

The amount of compensation to PRM as set forth in detail in the Attorney-in-Fact agreement (the "AIF Agreement") may be modified or reviewed as agreed to by both PURE and PRM, however, compensation for Marketing and Underwriting services will always remain between 10% and 20% of Gross Written Premium. Any changes to PRM's compensation are subject to prior approval by the Florida Office of Insurance Regulation and will be disclosed to subscribers.

In addition to losses and the fees outlined above, PURE will retain the following expenses: loss adjustment expenses for catastrophe claims, allocated loss adjustment expenses in excess of \$2,500 per claim, investment expenses, legal and advisory expenses, commissions to agents and brokers, brand development and management, court costs, taxes, assessments, license fees, membership fees, governmental fines and penalties, reinsurance premiums and costs, audit fees, guaranty fund assessments and all other costs necessary for PURE's proper and efficient operation.

The PRM offices will be the same as PURE's principal office, located at 800 Corporate Drive, Suite 420, Fort Lauderdale, Florida 33334, but may be changed upon notice to the Subscriber and in compliance with the requirements of the State of Florida. The arrangement between PURE and PRM is further outlined in the AIF Agreement, available for review at [pureinsurance.com/misc/agreements](http://pureinsurance.com/misc/agreements), or upon request.

**2 Exchange of Policies:** The Subscriber hereby offers and agrees to exchange policies with the other subscribers to PURE. The Subscriber understands and agrees that the reciprocal insurance contracts to be exchanged hereunder are non-assessable consistent with section 629.261, Florida Statutes, thereby limiting the liability of the Subscriber to PURE to costs associated with the policies of insurance only.

**3 Subscribers' Advisory Committee:** The Subscriber understands that PURE and PRM have established a Subscribers' Advisory Committee ("SAC"), pursuant to section 629.201, Florida Statutes, to exercise subscriber rights and to assist PRM in supervising the operations of PURE. The SAC is elected under rules adopted by the subscribers which are available at [pureinsurance.com/misc/agreements](http://pureinsurance.com/misc/agreements), or upon request. You agree the SAC shall

- (a) have only the enumerated responsibilities granted to it;
- (b) exercise the rights of all subscribers; and

(c) consist of at least two-thirds current insured subscribers of PURE that are independent from PURE's attorney-in-fact. You agree the SAC will supervise PURE's finances and operations to such extent as to assure conformity with this Agreement and the Attorney-in-Fact Agreement and procure an audit of the accounts and records of PURE and PRM, both at the expense of PURE. The supervisory role of the SAC is described in more detail in the Powers of the Subscribers' Advisory Committee document and the Subscribers' Advisory Committee Governance Rules, all of which are available at [www.pureinsurance.com/misc/agreements](http://www.pureinsurance.com/misc/agreements), or upon request. If there are any expressly contradictory terms in either of those documents and this Agreement, the terms of this Agreement shall control. The Subscriber understands and agrees, that unless said Subscriber is a member of the Subscribers' Advisory Committee, the Subscriber is not entitled in any way to participate in the management of PURE.

Absent a finding of criminal or willful misconduct or recklessness, you agree PURE shall defend, indemnify and hold wholly harmless each SAC member and the SAC from and against liability arising from participation or membership on the SAC and you agree not to sue or name in any action or affirmative defense any SAC member or the SAC. Absent a finding of criminal or willful misconduct or recklessness and except for legal actions that may arise directly from your insurance policy(ies) or legal actions to enforce this contract, you agree PURE will not be sued or named in any action or affirmative defense by you.

**4 Policyholder Surplus:**

**(a) Surplus Contribution.** The Subscriber agrees to pay his or her policy premium and agrees to make, in addition to policy premiums, a surplus contribution to PURE ("Surplus Contribution"). The Surplus Contribution is payable to PURE on or prior to the initial effective date of coverage and within 30 days of the effective date of all endorsements generating an additional premium. The Surplus Contribution will be made during the first five full years of membership. The possibility of future Surplus Contributions, if any, will be determined by the Subscribers' Advisory Committee and communicated to the Subscriber prior to renewal of the Subscriber's policy(ies)

- The current Surplus Contributions are based on the total premiums written and will be:
- 10% of total annual Homeowners Premiums
  - 10% of total annual Watercraft Premiums
  - 4% of total annual Premiums for all other policies



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(b) **Purpose of Surplus Contribution.** Subscriber understands and agrees that the amounts paid as Surplus Contributions will be credited as policyholder surplus for the benefit and protection of all PURE subscribers and that Surplus Contributions made to PURE are not premiums for insurance. Subscriber understands and agrees that the ability of PURE to return Surplus Contributions to its subscribers is subject to provisions of this Section 4 and is limited by law.

(c) **Return of Surplus Contribution.** Upon the issuance of an insurance policy, or other confirmation of coverage by PURE, the return of surplus contributions can occur only after withdrawal of the subscriber from PURE and, only with the approval of PRM and the Florida Office of Insurance Regulation, and as set forth in this Agreement. In the event of policy cancellation, PRM will return any surplus contributions (without interest) made during that policy term on a pro-rata basis to those subscribers who terminate coverage for any reason. All other surplus contributions, including those made on previous policy terms, will be retained by PURE for the benefit of all remaining subscribers.

(d) **Subscriber Savings Accounts.** PURE will maintain separate individual savings accounts ("SSA") for each subscriber, and set aside as a credit for each subscriber, a portion of the savings realized on contracts of insurance issued to all subscribers. After accounting for paid losses, loss reserves, operating and policy acquisition expenses, and potential policyholder cash dividends, PURE will deposit the remaining premium into these accounts pro-rata based on each Subscriber's earned premium. Deposits, if any, will be made annually prior to March 1st of the following year. The Subscriber understands and agrees that

(a) any contributions to be made to a Subscriber's SSA are based on PURE's overall results, not the results of any individual Subscriber; and,

(b) funds held in an SSA are considered surplus and that PRM is authorized to use any and all of these surplus funds to pay any unsatisfied obligations. As set forth in this Agreement, the Subscriber may be eligible for a distribution from their SSA once the Subscriber is no longer insured by PURE. In order to avoid any impairment to the surplus of PURE, PRM, subject to the approval of the Subscribers' Advisory Committee, retains the right to limit the distribution from the SSA to subscribers whose coverage has been terminated.

(e) **Limitations on Distributions of Surplus Contributions and Subscriber Savings Accounts:** No payment of a returned Surplus Contribution or distribution of SSA funds will be made to a terminated subscriber if such payment could risk the financial impairment of PURE. Payments could be delayed if the total payments of Surplus Contributions or SSA within the preceding 12 months to any terminated subscribers to PURE would exceed the lesser of

(a) ten (10) percent of PURE's total surplus as of the preceding December 31, or

(b) PURE's total net income before savings allocations and federal income taxes for the preceding full calendar year. If payment to more than one terminated subscriber is delayed pursuant to the requirement set forth in this Section, the total amount which may be paid to terminated subscribers will be paid pro rata to all such terminated subscribers, who meet the conditions to receive distributions from savings or Surplus Contributions set forth in this document, on an equitable basis as determined by PRM, in its sole discretion, and as allowed by law.

Any payments delayed pursuant to this requirement will be paid as soon as possible when payment can be made in compliance with this Section. If this Section (4) is found to conflict with other terms of this Agreement, this Section (4) supersedes all other terms and conditions of this Agreement.

5 **Rejection of Coverage:** Subscriber understands and agrees that PURE has an obligation to its subscribers to maintain strict eligibility and underwriting requirements. PURE has the right to reject any application for insurance including this Subscriber's Agreement and the offer of payment of premium and surplus contribution. If such a rejection of coverage occurs after receipt of the surplus contribution by PURE, the Surplus Contribution will be returned to the prospective Subscriber, without payment of interest. An existing Subscriber applying for additional lines of coverage is not guaranteed acceptance for those new lines of coverage.

6 **Termination:** This agreement may be terminated at any time by the Subscriber or PRM, by terminating all insurance policies issued to the Subscriber, subject to policy provisions and Florida law. Upon the termination of all insurance policies of the Subscriber, subject to the approval of the Florida Office of Insurance Regulation and as set forth in this Agreement, the balance remaining in the Subscriber's SSA or eligible Surplus Contribution, after allocation of expenses and claims, will be returned to the Subscriber, within six (6) months.

7 **Collateralization of Assets:** No assets or future dividends of PURE may be pledged or collateralized on behalf of any subscriber for any purpose.

8 **Return of Surplus upon Liquidation:** The Subscriber understands and agrees that in accordance with Section 629.281, Florida Statutes, upon the liquidation of PURE, its assets will be distributed to its Subscribers who were such within the 12 months prior to the termination of its certificate of authority, subject to regulatory approval. The assets of PURE to be distributed upon regulatory approval, are those remaining after the discharge of its indebtedness and policy obligations, the return of any surplus notes or other contributions made to surplus, and the return of any unused premium and savings in subscriber's accounts.

9 **Binding Agreement:** The Subscriber hereby acknowledges receiving and reviewing the Powers of the Subscribers' Advisory Committee and the Attorney-in-Fact Agreement, (available at [pureinsurance.com/misc/agreements](http://pureinsurance.com/misc/agreements) or from your insurance broker), prior to executing this Agreement. This Agreement will be accepted by PRM only when signed by the Subscriber.

Subscriber agrees that this Subscriber's Agreement, including the power of attorney set forth herein, will apply to all insurance policies for which the Subscriber has applied or will apply at PURE. The Subscriber understands and agrees that the terms and conditions of the Subscribers Agreement, the Powers of the Subscribers' Advisory Committee, and the Attorney-in-Fact agreement will be valid and binding and acknowledged and accepted upon PRM and the Subscriber and their respective personal representatives, administrators, successors, and assigns, as indicated by the Subscriber's signature on page 1.

THIS SUBSCRIBERS AGREEMENT AND ALL MATTERS RELATING TO ITS VALIDITY, INTERPRETATION, PERFORMANCE, AND ENFORCEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA (WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THEREOF)