



# Vault Reciprocal Exchange

## Redefining Personal Insurance

**Vault is a company built around connecting like-minded individuals through a partnership known as a 'reciprocal insurance exchange'. Vault Reciprocal Exchange (Vault) works for a hand selected, responsible group of individuals with similar assets and lifestyles in the high-net-worth space.**

### WHAT IS A RECIPROCAL?

A reciprocal insurance exchange is one of the ways insurance organizations can be structured and capitalized. In a traditional "stock" insurance company, capital is provided by shareholders, who invest for profit. A reciprocal has no shareholders. Instead, the insurer is owned and financed by its policyholders, also known as "Members." As a Member, a portion of your annual payments are set aside as capital or "surplus" for the insurer. Apart from this, Vault's start-up capital was provided as debt in the form of surplus notes issued to third-parties.

The reciprocal structure is common. Some well-known companies that organize themselves as reciprocals include USAA and Farmers.

### ADVANTAGES OF A RECIPROCAL

There are several benefits to organizing as a reciprocal that Vault wanted to take advantage of and pass on to Members. First, a reciprocal, over time, is able to raise capital at a lower cost due to tax efficiencies related to Member surplus contributions. As a result, Members are awarded lower rates. Secondly, as a Member owned exchange, Vault is able to bring together an exclusive group of individuals and families who take the same steps to protect their passions and possessions as you do. The more responsible high-net-worth individuals join our membership, the more all Members benefit. Finally, the reciprocal structure allows Members to participate in the excess profits of the reciprocal via surplus distributions. At Vault, this is known as the Member Rewards Program. These distributions require approval by the Florida Office of Insurance Regulation ("FL OIR"), our domestic regulator, and will only be made in years Vault achieves profitable underwriting results and only to active Members in accordance with the Subscriber's Agreement and Power of Attorney each Member signs upon joining Vault.

### FINANCIAL STRENGTH OF THE RECIPROCAL

Vault is an "admitted" insurance entity regulated by the FL OIR. As such it is subject to the same laws, regulations and capital requirements as every other Florida domestic insurance company. Additionally, Vault is rated A- by A.M. Best, the leading insurance

company rating agency. Vault also employs a conservative approach to buying reinsurance to ensure it remains financially strong. Vault's reinsurance program is comprised of highly-rated global reinsurance companies rated A- or better by A.M. Best.

### WHO MANAGES THE RECIPROCAL?

A reciprocal insurance exchange is managed by an entity known as an "Attorney in Fact." In the case of Vault, its Attorney in Fact is Vault Risk Management Services, LLC or "VRM." Vault has engaged VRM to manage Vault's operations and provide unparalleled service and claims experience for Vault's Members. VRM is made up of veteran industry leaders who have unmatched experience in providing personal insurance to accomplished individuals and families. VRM is majority owned by Cornell Capital, LLC, a top investment firm in the industry with \$4B AUM. Cornell Capital's support further strengthens Vault's ability to deliver capital and expertise to its members.

### HOW ARE MEMBERS VOICES HEARD?

Vault has formed an advisory committee that operates to supervise the activities of VRM and ensure that Members' voices are heard. This committee is known as a Subscribers' Advisory Committee, which is elected annually by Members and is required to supervise the finances and operations of Vault.

The details of how this works are laid out in the Subscriber's Agreement, the Power of Attorney and the Powers of the Subscribers' Advisory Committee, which are provided to all Members.

Vault is the marketing name used to refer to Vault Reciprocal Exchange, a Florida domiciled reciprocal, and its affiliates. Certain products and services may be provided by its affiliates. Certain coverage may be provided by an affiliated surplus lines insurer. Not all products and services may be available in all jurisdictions and the terms and conditions of all products are subject to the applicable policy language.

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