



# Subscriber's Agreement

Vault Reciprocal Exchange ("Vault") is a reciprocal insurance exchange organized under the laws of Florida, existing for the benefit of its subscribers. Under these laws, Vault and its subscribers, or "members," appoint a third party, known as an attorney-in-fact, to manage and administer Vault's operations and affairs on your behalf. The attached Subscription Agreement and Power of Attorney (the "Agreement") provides the terms of your relationship with Vault and appoints Vault Risk Management Services, LLC, a Florida limited liability company ("VRM"), as Vault's attorney-in-fact.

As a reciprocal exchange, Vault has a number of features designed to benefit its members:

**Subscribers' Advisory Committee ("SAC"):** Your interests as a member of Vault will be represented by the SAC, an advisory body elected, in part, by Vault's members that is tasked with overseeing Vault's operations to a limited extent. You can learn more about the powers, duties and composition of the SAC by visiting [www.vault.insurance/SAC](http://www.vault.insurance/SAC).

**Surplus Contributions:** Along with your policy premium, you will pay surplus contributions to Vault during the first five years of your membership. These surplus contributions lower Vault's cost of capital, which allows it to offer more competitively priced insurance to its members. These contributions will be collected along with your policy premium during your first five years of membership and are set at 10% of total annual homeowner insurance premium and 4% of total annual premium for all other policies.

**Member Rewards:** As Vault conducts its operations for the benefit of its subscribers, it may, in its discretion, allocate a portion of its profits to its members. Any such distributions will be subject to Vault's performance, overall financial strength and regulatory approval. Vault will contact you directly once more information on member rewards becomes available.

All of these features are described fully in the attached Agreement. By signing below you agree to become a member of Vault, to appoint VRM as Vault's attorney-in-fact and to be legally bound by the terms and conditions of the Agreement. Please read the entirety of the Agreement before you sign.

Due to the nature of Vault's structure, your insurance policy cannot become effective without a signed Agreement. If you fail to sign, Vault reserves the right to terminate your coverage.

By: \_\_\_\_\_  
Name: [Subscriber]  
Date: [Date]

*Receipt Acknowledged:*  
Vault Reciprocal Exchange  
By: Vault Risk Management Services, LLC, Attorney-in-Fact



## Power of Attorney

### 1. Power of Attorney:

The individual executing the signature block on the cover letter of this Agreement (“you” or “your”) appoints Vault Risk Management Services, LLC, a Florida limited liability company (“VRM”), as the Attorney-in-Fact for Vault Reciprocal Exchange, a reciprocal insurance exchange organized under the laws of Florida (“Vault”), with the express authority and permission to effectuate and conduct the lawful business affairs of Vault. This authority includes the ability to carry out all customary functions of a reciprocal insurance company, including but not limited to the following responsibilities:

- a) Exchange, with other subscribers to Vault, any and all kinds of reciprocal insurance contracts, which Vault is authorized by law to write;
- b) Issue, exchange, renew, non-renew, cancel or modify insurance policies;
- c) Adjust, settle, defend, litigate, appeal, and pay claims or losses under the insurance policies of subscribers;
- d) Act as intermediary to obtain reinsurance;
- e) Accept service of process on behalf of Vault in actions against Vault upon contracts exchanged;
- f) Open accounts and borrow money in the name of Vault;
- g) Hire and compensate personnel and agents;
- h) Collect premiums and invest and reinvest funds;
- i) Receive notices and proof of loss;
- j) Administer member accounts, if applicable, including allocations thereto and distributions therefrom;
- k) Elect not less than one member of the SAC (as defined below).
- l) In consideration for the services provided to Vault, VRM will be compensated as follows:
  - (i) 17% of Vault’s gross written premium for marketing and underwriting services; and
  - (ii) 5% of Vault’s gross written premium for claims service and management.
- m) VRM’s total compensation, as set forth in greater detail in the Attorney-in-Fact Agreement, dated September 1, 2017, between VRM and Vault (the “AIF Agreement”), may be reviewed or modified at any time, subject to the prior written approval of the Florida Office of Insurance Regulation. Vault will be liable, and will reimburse VRM on demand, for losses, loss adjustment expenses, investment expenses and other expenses attributable to the operations of Vault. Any changes to these percentages are subject to the prior written approval of the Florida Office of Insurance Regulation and, if approved, will be disclosed in writing to you.
- n) VRM’s office will be the same as Vault’s principal office, located at 300 First Avenue South, Suite 401, St. Petersburg, Florida 33701. VRM’s mailing address, however, will be 199 Water Street, 23<sup>rd</sup> Floor, New York, NY 10038, Attn: Vault Risk Management Services, LLC, and all correspondences to VRM can be directed to this address. You will be promptly notified if VRM’s or Vault’s office location has changed, and any such change will take place in compliance with the requirements of the laws of the State of Florida.
- o) The contractual arrangement between Vault and VRM is set forth in the AIF Agreement and its terms are incorporated into this Agreement. The AIF Agreement is available for review at [www.vault.insurance/AIF](http://www.vault.insurance/AIF), or upon request from VRM.



**2. Exchange of Policies:** You hereby offer and agree to exchange policies with the other Vault subscribers. You understand and agree that the reciprocal insurance contracts to be exchanged hereunder are non-assessable, consistent with section 629.261, Florida Statutes, thereby limiting your liability to Vault to the costs associated with your policies of insurance only.

**3. Subscribers' Advisory Committee:** You understand that Vault and VRM have established the Subscribers' Advisory Committee ("SAC") pursuant to section 629.201, Florida Statutes, to exercise any rights reserved to subscribers and assist VRM in supervising the operations of Vault. The duties and powers of the SAC, which are available for review at [www.vault.insurance/SAC](http://www.vault.insurance/SAC) (or upon request), are contained within the "Powers of the Subscribers' Advisory Committee" document (the "Powers Document"). You understand and agree that the powers of the SAC are limited to those enumerated in the Powers Document.

You understand and agree that you are not entitled to directly participate in the management of Vault unless you are a member of the SAC. To extent permitted by law, you agree to hold harmless each and every member of the SAC from any liability that may arise from, or is in any way connected with, such member's participation on the SAC. This hold harmless provision does not apply where the member acted with criminal intent or reckless disregard in the performance of his or her duties as a member of the SAC.



**4. Surplus Contribution:** (a) In addition to paying your policy premium, you agree to make a contribution to Vault's surplus in the amounts and during the period of time set forth in subsection (b) below (the "Surplus Contribution"). You understand and agree that the amounts paid as Surplus Contributions will be credited as policyholder surplus for the benefit and protection of all Vault subscribers and that Surplus Contributions made to Vault are not premiums for insurance. (b) The Surplus Contribution is payable to Vault on or prior to the initial effective date of your coverage and within 30 calendar days of the effective date of all endorsements generating an additional premium. For each of the first five years of your membership with Vault, the Surplus Contribution will be paid at the following rates: (i) Ten percent (10%) of annual Homeowners (with Windstorm coverage) policy premium; and (ii) Four percent (4%) of annual policy premium for all other policies. (c) In the event the SAC determines that additional Surplus Contributions will be required of subscribers, Vault will notify you in advance and such additional Surplus Contributions will only be due for policies you elect to renew. (d) *Limitation on Return of Surplus Contributions:* Your Surplus Contributions are made for the benefit of all of Vault's subscribers and may only be returned in limited circumstances. In the event of a mid-term policy cancellation, VRM will return any Surplus Contributions (without interest) applicable to the cancelled policy term, pro-rated based on the fraction of the policy term that has elapsed and subject to the restrictions set forth in Section 6 and any applicable law. All other Surplus Contributions, including those made for previous policy terms, will be retained by Vault for the benefit of all remaining subscribers. You understand and agree that any other return of Surplus Contributions will be subject to the approval of VRM, the Florida Office of Insurance Regulation (the "FL OIR") and the restrictions set forth in Section 6.

**5. Member Rewards:** VRM intends to operate Vault for your benefit and the benefit of every other subscriber. In years in which Vault achieves operating profit and surplus growth, separate individual Subscriber Savings Accounts ("SSAs"), also known as Member Rewards Accounts, will be set up for each subscriber. After accounting for paid losses, loss reserves and operating and policy acquisition expenses, VRM, in its discretion, may credit your Member Rewards Account with a portion of the amount of Vault's growth in surplus for a fiscal year. Any such credit will be made pro rata, based on your earned premium for such year. Any and all such funds allocated to you would be considered part of Vault's surplus and VRM would be authorized to use any and all such funds to pay Vault's obligations.

In order to avoid any impairment to the surplus of Vault, VRM, subject to the approval of the SAC, retains the right to limit the distribution from the SSAs to subscribers whose coverage has been terminated. Furthermore, any payment or allocation to an SSA would be subject to the approval of the FL OIR. VRM will contact you with additional information prior to making any contributions to your SSA. You may also visit [www.vault.insurance](http://www.vault.insurance) for the latest information about your account.

**6. Limitations on Return of Surplus Contributions:** No payment of a member distribution (as described in Section 5 above) or return of surplus in accordance with Section 4(d) above (together, a "Surplus Distribution") will be made if such payment could risk the financial impairment of Vault. Such Surplus Distribution payments may be delayed if, as determined by VRM, the total amount of such payments to all applicable subscribers to Vault, within the preceding 12 months, would exceed the lesser of (a) ten percent of Vault's total surplus calculated as of the immediately preceding December 31, or (b) Vault's total net income before savings allocations and federal income taxes for the calendar year ended as of the immediately preceding December 31. If payment to any subscriber would be delayed pursuant to the requirements set forth in this Section, the total amount which may be paid to all subscribers will be paid pro rata to each such subscriber who meets the conditions to receive a Surplus Distribution on an equitable basis as determined by VRM in its sole and absolute discretion and as allowed by applicable law.

Any payments delayed pursuant to the requirements set forth in this Section will be paid as soon as possible when payment can be made in compliance with this Section and the requirements of the FL OIR. If this



Section 6 is found to conflict with other terms of this Agreement, this Section 6 supersedes all other terms and conditions of this Agreement.

**7. Return of Surplus upon Liquidation:** You understand and agree that, in accordance with Section 629.281, Florida Statutes, upon the liquidation of Vault, its assets remaining after discharge of its indebtedness and policy obligations, the return of any contributions of VRM or other persons to its surplus made as provided in Section 629.161, Florida Statutes, and the return of any unused premium, savings, or credits then standing on SSAs shall be distributed to its subscribers who were such within the 12 months prior to the last termination of its certificate of authority, according to such reasonable formula as the FL OIR approves..

**8. Rejection of Coverage:** You understand and agree that Vault has an obligation to its subscribers to maintain strict eligibility and underwriting requirements. Vault has the right to reject any application for insurance and the offer of payment of premium and Surplus Contribution, including this Agreement. If such a rejection of coverage occurs after receipt of the Surplus Contribution by Vault, the Surplus Contribution will be returned to you, without payment of interest. An existing subscriber applying for additional lines of coverage is not guaranteed acceptance for those new lines of coverage.

In the event that you cease to maintain insurance with Vault, regardless of whether such insurance is cancelled, rescinded or non-renewed for any reason, you will lose all rights as a subscriber to Vault.

**9. Termination:** This Agreement may be terminated at any time, by you or VRM, by terminating all insurance policies issued to you, subject to applicable policy provisions and Florida law. Upon the termination of all insurance policies issued to you, subject to the approval of the FL OIR and as otherwise set forth in this Agreement, the balance remaining in your SSA, after allocation of expenses and claims, will be returned to the you within six months thereafter.

**10. Binding Agreement:** (a) You acknowledge receiving and reviewing the Powers of the Subscribers' Advisory Committee and the AIF Agreement prior to executing this Agreement. This Agreement will be accepted by VRM upon your signature on the cover page. (b) You agree that this Agreement, including the power of attorney set forth herein, will apply to all insurance policies for which you have applied or will apply with Vault. You understand and agree that the terms and conditions of this Agreement, the Powers of the Subscribers' Advisory Committee, and the AIF Agreement will be valid and binding and acknowledged and accepted upon VRM and you and your respective personal representatives, administrators, successors, and assigns, as indicated by your signature on the cover page.

**11. Miscellaneous:** (a) When a reference is made in this Agreement to a Section or subsection, such reference shall be to a Section or subsection of this Agreement unless otherwise indicated. (b) Any capitalized terms used in any attachment to this Agreement but not otherwise defined therein shall have the meanings as defined in this Agreement. (c) This 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 the conflict of law principles thereof).