

PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE

ATTORNEY-IN-FACT AGREEMENT

This Attorney-in-Fact Agreement ("Agreement") is made effective this 24th day of January, 2007, between Privilege Underwriters Reciprocal Exchange, a reciprocal insurance company ("PURE"), and PURE Risk Management, LLC. ("PRM"), The PRM offices will be located together with PURE's principal offices, in Plantation, Florida, but may be changed upon notice to the Subscriber and in compliance with the requirements of the state of Florida.

WITNESSETH:

WHEREAS, as part of the applications for insurance by subscribers to PURE, all subscribers will, pursuant to the Subscriber's agreement, appoint PRM to act as the Attorney-in-Fact with the authority to exchange reciprocal insurance contracts among the subscribers to PURE and to manage and conduct the business of PURE, and

WHEREAS, PURE, and PRM desire to set forth the terms and conditions upon which PRM will accept its appointment as Attorney-in-Fact for the subscribers to exchange their reciprocal insurance contracts and to manage and conduct the business of PURE;

NOW, THEREFORE, in consideration of the mutual covenants and consideration herein contained and intending to be legally bound hereby, PURE and PRM agree as follows:

- 1) **Acceptance of Appointment as Attorney-in-Fact:** PRM hereby accepts its appointment as Attorney-in Fact pursuant to the Subscriber's agreement to be executed by all subscribers to PURE and agrees, as Attorney-in-Fact, to exchange reciprocal insurance contracts among the subscribers as set forth in the Subscriber's Agreement.
- 2) **Management Services:** PRM will furnish all employees and resources necessary to provide for the necessary and appropriate management services to PURE, including, without limitation by reason of specification, provision for the following functions on behalf of PURE:
 - a) The administration and management of the day-to-day insurance business of PURE including, without limitation, the provision of all personnel for underwriting, claims, marketing, financial, legal, information technology and the provision of all senior management;
 - b) The solicitation, receipt, and acceptance or rejection of applications for insurance and the determination of the acceptability of the risks involved in accordance with the underwriting policies and standards as established by PRM;

- c) The underwriting, classification, rating and issuance of policies, endorsements and binders of insurance for PURE in accordance with customary insurance practices;
- d) The establishment and maintenance of complete and accurate records of all reciprocal insurance contracts exchanged by PRM on behalf of PURE in accordance with the policies and standards established by PRM;
- e) The collection, receipt and accounting for all funds received as payments of insurance premiums, contributions to surplus and other receipts, and the timely deposit of all such funds in a Federal Reserve System member bank or banks in the name of PURE in accordance with the policies and procedures established by PRM; the establishment and monitoring of loss reserves in accordance with sound insurance and actuarial practices and procedures; the maintenance of all funds of PURE in accordance with applicable law and the investment of assets in accordance with applicable legal requirements and the advice or instructions of investment advisors retained by PRM, at the expense of PURE
- f) The establishment and maintenance of all financial and business records required by applicable laws, regulations, generally accepted insurance and accounting practices and in accordance with the policies and standards established by PRM; and the preparation of all reports required by governmental and nongovernmental regulatory and supervisory authorities;
- g) The placement of reinsurance as required by law or by sound and accepted insurance and business practices, the payment of premiums thereof at the expense of PURE, the maintenance of all necessary records in connection with such reinsurance, and the taking of all actions or the making of any claims required or permitted by such reinsurance;
- h) The provision and maintenance, directly, or indirectly through a third party claims administrator, of adequate claims supervision and facilities for the timely processing of all claims, notice and proofs of loss against PURE and for the timely payment of claims on behalf of and at the expense of PURE, including the employment of claims adjusters, attorneys and other professionals, and other personnel to handle claims on behalf of PURE. All unallocated loss adjustment expenses and any non-catastrophe allocated loss adjustment expense below \$2,500 per claim will be paid by PRM out of its Claims Management Fee (*defined below*). All loss adjustment expenses relating to catastrophe claims and non-catastrophe loss adjustment expenses in excess of \$2,500 per claim are to be paid by PURE;
- i) The retention of investment advisors, financial advisors, actuaries and other necessary consultants, at the expense of PURE;

- j) The preparation of mailings, advertisements, newsletters and other promotional and marketing materials;
 - k) The monitoring of legal affairs, including compliance with applicable legal requirements and the making of required filings with the Florida Office of Insurance Regulation and all other governmental authorities having jurisdiction over PURE;
 - l) The appointment, supervision and termination of agents and brokers;
 - m) The development and maintenance of all systems and procedures necessary to comply with any insurer anti-fraud requirements of the State of Florida;
 - n) The commencement and defense, at the expense of PURE, of legal and administrative proceedings brought by or against PURE including acceptance of service of process on behalf of PURE, entering legal appearances on behalf of PURE and the compromise, litigation, defense and settlement of losses and claims; and
 - o) The taking of all such other actions as PRM determines to be necessary, advisable or proper in order for PRM to discharge its responsibilities and duties under the Articles of Incorporation of PURE and this Attorney-in-Fact Agreement.
- 3) **Management Fee:** As compensation for the management services to be performed by PRM as Attorney-in-Fact on behalf of PURE as set forth in Section 2, above, PURE agrees that PRM is authorized to retain a percentage of PURE's gross written premiums. In consideration of the Underwriting and Marketing services provided to PURE, PRM will receive as compensation an amount equal to 17% of the Gross Written Premium of PURE. In return for services provided in the servicing and management of claims, PRM will receive a fee to be equal to 5% of Gross Earned Premium ("Claims Management Fee"). These percentages may be adjusted at any time as agreed to by both PURE and PRM with written approval by the Florida Office of Insurance Regulation. However, the Underwriting and Marketing fees shall never be below 10% or above 20% of Gross Written Premium. Any changes to the percentages will be disclosed to the subscribers.
- 4) **Payment of Expenses of PURE:** PRM, on behalf of PURE, is authorized to utilize the funds of PURE to pay all of the expenses of PURE including, without limitation by reason of specification, losses, loss adjustment expenses related to the adjustment of catastrophe claims, any loss adjustment expenses in excess of \$2,500 per claim, investment expenses, legal expenses, reinsurance, commissions to agents and brokers, brand development and management, court costs, taxes, assessments, license fees, membership fees, the fees of attorneys, actuaries, accountants and investment and other advisors, governmental fines and penalties, the establishment and maintenance of loss and unearned premium reserves and

surplus, reinsurance premiums and costs, audit fees, guaranty fund assessments and all other costs necessary for the proper and efficient operation of PURE. Additionally, PRM will procure, at the expense of PURE, directors and officers liability insurance coverages for PRM and the members of the Subscriber's Advisory Committee.

- 5) **Records: Right to Audit:** PRM will keep records for the express purpose of recording the nature and details of the management services and financial transactions undertaken for PURE pursuant to this Attorney-in-Fact Agreement. All books and records maintained by PRM pertaining to the management services performed by PRM as Attorney-in Fact for the subscribers to PURE pursuant to this Agreement are owned by PURE. These books and records will be maintained by PRM in a fiduciary capacity for PURE. PURE, and any regulatory authority having jurisdiction over PURE, will have the right to examine and audit, at the offices of PRM, at all reasonable times, all books and records of PURE that pertain to the management services performed by PRM as Attorney-in-Fact for the subscribers to PURE, pursuant to this Agreement. This right of examination and audit will survive the termination of this Agreement and will remain in effect for as long as either PURE or PRM has any rights or obligations under this Agreement.
- 6) **Subscribers Advisory Committee Grievance Procedure:** After PURE has been in operation for one year, the senior management of PRM will meet on a quarterly basis with the Subscribers Advisory Committee of Insurance (the "Committee") to discuss any issues of concern made known by the Subscribers of PURE to the Committee. By the next quarterly meeting, if not sooner, the senior management of PRM will provide the Committee with a written response to any issues of concern presented at the prior meeting, if any, including a description of the actions PRM has undertaken to address the issues of concern in accordance with customary insurance practices. At the next meeting, the Committee shall advise the senior management of PRM if the actions it took are reasonably addressing the issues of concern as originally presented. If a majority of the members of the Committee is not reasonably satisfied with the results of the actions undertaken, PRM will present the issues of concern and its response to the Florida Office of Insurance Regulation for its guidance as to whether PRM should undertake further action with respect to the issues of concern.
- 7) **Term and Termination:** This Agreement shall become effective once signed by representatives of PURE and PRM, and shall continue in effect for a 5 year term thereafter, subject only to the right of termination as set forth in this Section. This Agreement shall automatically renew for additional one (1) year terms, subject to the right of termination set forth below.
 - a) **Mutual Termination:** This agreement may be terminated at any time by the mutual agreement of both parties in writing.
 - b) **Termination by Subscribers Advisory Committee:** PURE, through the Subscribers Advisory Committee, may terminate this Agreement at

any time if the Florida Office of Insurance Regulation or a court of competent jurisdiction has determined by a final order that an actor event has occurred that constitutes a material breach of this Agreement or that would allow the Florida Office of Insurance Regulation to (i) suspend or revoke the license of PURE or (ii) place PURE in rehabilitation.

8) Arbitration

- a) In the event of any dispute or difference of opinion hereafter arising with respect to this Agreement both parties agree that any dispute or difference of opinion shall be submitted to arbitration before a panel of three arbitrators, each of whom shall be an active or retired disinterested officer of a property and casualty insurance company. One arbitrator will be chosen by PURE, one arbitrator will be chosen by PRM and the third arbitrator will be chosen by the other two arbitrators. In the event any party hereto does not appoint an arbitrator within 60 days after the other party requests it to do so, or if the two arbitrators selected by PURE and PRM fail to agree upon a third arbitrator within 30 days of the appointment of the second arbitrator to be appointed, the arbitrator or arbitrators, as the case may be, will, upon the application of any party, be appointed by the American Arbitration Association and the arbitrators will proceed. The arbitrators are to consider this Agreement as an honorable engagement rather than merely as a legal obligation and they are relieved of all judicial formalities and may abstain from following the strict rules of law. The decision of the majority of the arbitrators will be final and binding on all parties. Each party will bear the expense of its own arbitrator and one-half of the expenses of the third arbitrator and of the arbitration. Arbitration taking place under this section will take place in Florida unless otherwise agreed by the parties in writing.
- b) Notwithstanding any dispute or difference of opinion arising under this Agreement, PURE and PRM must fulfill any obligations under the reciprocal insurance contracts.

9) Indemnification

- a) PURE will indemnify, defend and hold harmless PRM and each member, officer, employee and agent thereof (each an "Indemnified Party"), from and against all claims, losses, damages, liabilities and expenses including, without limitation, settlement costs and any reasonable legal fees and expenses or other expenses for investigating, and defending any actions or threatened actions incurred by an Indemnified Party as a result of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of PURE, relating to or arising out of the services provided by PRM hereunder, except to the extent the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted the willful misconduct or recklessness of the Indemnified Party. The foregoing indemnification right is in addition to the

indemnification provided for in PURE's Articles of Incorporation as filed with the Florida Office of Insurance Regulation and such Indemnification provision is hereby made a part of and incorporated into this Agreement and can be enforced hereunder.

- b) PURE will pay expenses incurred by an Indemnified Party in defending any action or proceeding referred to in this Section 10 in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by PURE.
- c) As soon as practicable after receipt by any Indemnified Party of notice of the commencement of any action, suit or proceeding specified in Section 10(a) above, such person shall, if a claim with respect thereto may be made against PURE under this Section 10, notify PURE in writing of the commencement or the threat thereof; however, the omission to so notify PURE will relieve it of any liability under this Section 10 unless PURE is prejudiced thereby or from any other liability which it may have to such person other than under this Section 10. With respect to any such action as to which such person notifies PURE of the commencement or threat thereof, PURE may participate therein at its own expense and, except as otherwise provided herein to the extent that it desires, jointly with any other indemnifying party similarly notified, be entitled to assume the defense thereof, with counsel selected by PURE to the reasonable satisfaction of such person. After notice from PURE of its election to assume the defense, PURE will not be liable to such person under this Section 10 for any legal or other expenses subsequently incurred by such person in connection with the defense thereof otherwise than as provided herein. The person will have the right to hire his or her own counsel in such action, but the fees and of such counsel incurred after notice from PURE of its assumption of the defense thereof will be at the expense of such person unless: (i) the employment of counsel by such person shall have been authorized by PURE, (ii) such person shall have reasonably concluded that there may be a conflict of interest between PURE and such person in the conduct of the defense of such proceeding or (iii) PURE did not in fact have employed counsel to assume the defense of any proceeding brought by or on behalf of PURE or as to which such person shall have reasonably concluded that there may be a conflict of interest if indemnification under this Section 10 is not paid or made by PURE, or on its behalf, within 90 days after a written claim for indemnification has been received by PURE, such person may, at any time thereafter, bring suit against PURE to recover the unpaid amount of the claim. The right to indemnification and the right to advancement of expenses provided hereunder shall be enforceable by such person in any court of competent jurisdiction. The burden of proving that indemnification is not appropriate shall be on PURE. Expenses reasonably incurred by such person in connection with successfully establishing the

right to indemnification or advancement of expenses, in whole or in part; shall also be indemnified by PURE.

10) Miscellaneous

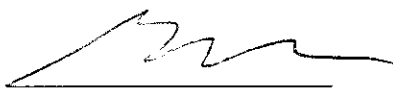
- a) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.
- b) Any changes to this document must be approved in advance and in writing by the Florida Office of Insurance Regulation.
- c) PRM is authorized, at its expense, to contract with others for the performance of the management services it has agreed to provide to PURE under this Agreement, provided, however, that PRM will remain responsible to PURE for the proper and timely performance of all management services set forth in this Agreement.

IN WITNESS WHEREOF, the parties hereto gave executed this Attorney-in-Fact Agreement on the day and year first above written by the undersigned thereunto duly authorized.

By: 

Name: Ross Buchmueller
PURE Risk Management,
LLC

Its: President

By: 

Name: George Bullen
Privilege Underwriters
Reciprocal Exchange

Its: Secretary (Subscriber's
Advisory Committee)