

PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE

POWERS OF THE SUBSCRIBER'S ADVISORY COMMITTEE

The Subscribers' Advisory Committee ("Committee") of Privilege Underwriters Reciprocal Exchange, a Florida domestic reciprocal insurance company offering personal insurance coverages ("PURE"), is an advisory committee established to serve on behalf of the Subscribers of PURE, for the purpose of advising on occasion with PURE Risk Management LLC ("PRM"), the attorney-in-fact for PURE, on matters of interest to the Subscribers, and pursuant to Section 629.201, Florida Statutes. This document sets forth the terms and conditions upon which the Subscriber's Advisory Committee shall operate.

The Committee shall be authorized to:

- 1) Supervise the finances of PURE, review PURE's financial condition, including financial reports and other financial information provided by PURE to the Florida Office of Insurance Regulation;
- 2) Supervise PURE's operations to the extent necessary to assure conformity with the Subscriber's Agreement and power of attorney contained therein, and make recommendations to PRM on operational issues;
- 3) Procure the audit of the accounts and records of PURE and of PRM at the expense of PURE, recommend to PRM the selection of independent certified public accountants, and review the scope and results of the annual independent audit and any internal audit of PURE's financial statements;
- 4) Vote on topics including, but not limited to:
 - a) material changes affecting the lines of business to be written by PURE;
 - b) term lengths for Committee members;
 - c) the selection and election of new Committee members;
 - d) the frequency of meetings and selection of meeting locations; and
 - e) recommendations as to a pool of acceptable auditors.
- 5) Review this "Powers of the Subscriber's Advisory Committee" document periodically and recommend changes.
- 6) The Committee shall have no power or authority to bind PURE to any insurance policy, to enter into any other contractual obligation on behalf of PURE or PRM, or to otherwise conduct business on behalf of or in the name of PURE or PRM.

Membership and Terms

- 1) The number of members of the Committee shall be selected under such rules as the members of the Committee adopt but in no event shall the Committee be comprised of fewer than three members.
- 2) The initial term of each member of the Committee shall be for no more than one year. The initial Subscriber's Advisory Committee will be comprised of three members, two of which shall be subscribers to PURE. Within the first year of operation, a new Subscriber's Advisory Committee shall be elected for a term of no less than one year. The Committee shall be selected, and vacancies on the Committee filled, in compliance with Section 629.201, Florida Statutes.
- 3) PURE shall have the authority to remove and replace members of the Committee for cause, as determined by PURE and PRM, and appoint substitute members, at any time.
- 4) In any event, not less than two-thirds of the Committee shall be subscribers, other than PRM, or any person employed by, representing, or having a financial interest in PRM.
- 5) Members of the Committee will be reimbursed for all reasonable expenses associated with attending meetings of the Committee, at the expense of PURE. In addition, for consideration of the counsel and service to be provided by each member of the Committee to PURE, each member shall receive, at the expense of PURE, a reasonable and customary per-meeting fee. Nothing contained herein shall be construed to preclude any member from receiving compensation for services rendered to PURE or PRM in any other capacity, subject to the requirements set forth above.

Role of the Committee

- 1) The Committee's role is advisory, and the Committee understands and agrees that the management of PRM is responsible for the preparation of PURE's financial statements and for the hiring and retention of PRM's management and employees and determining their compensation. The Committee shall procure the services of an independent auditor to perform an annual audit of the accounts and records of the insurer and of the attorney at the expense of the insurer. In addition, the Committee understands and agrees that PRM's management, as well as the independent auditors, have more time, more knowledge and more detailed information regarding PURE than do Committee members and that the management of PRM has more time and more knowledge for the evaluation of management of PRM and candidates to serve as management or employees of PRM; consequently, in carrying out its advisory responsibilities, the Committee shall not be deemed to provide any expert or special assurance as to the quality or trustworthiness of management of PRM and candidates to serve as management or employees of PRM, PURE's financial statements or any professional certification as to the independent auditor's work.

- 2) In discharging its advisory role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of PURE or PRM. If a majority of the members of the Committee agree, with the consent of the Chief Executive Officer of PRM, which consent shall not be unreasonably withheld, the Committee may retain outside counsel, auditors or other experts to advise the Committee at the expense of PURE.

Meetings of the Committee

- 1) The Committee shall meet once during each calendar quarter to review the financial statements of PURE for such quarter and such other matters as the members of the Committee shall determine. During the first quarter of each calendar year, the Committee shall also meet to review the performance PRM and make recommendations concerning PRM's management of PURE and the selection of its independent auditors. The Chief Executive Officer of PRM shall provide at least 10 days' notice of the meetings to each member by telephone or in writing. Special meetings of the Committee may be called by the Chief Executive Officer of PRM on one days' notice to each member, either by telephone, facsimile, by e-mail or otherwise in writing. Special meetings shall be called by the Chief Executive Officer or Secretary of PRM in like manner and on like notice upon the written request of a majority of the members of the Committee. The senior management of PRM, in its sole discretion, may designate employees of PRM to attend the meetings of the Committee.
- 2) Meetings of the Committee shall be held at such times and places within or without the State of Florida as the Committee may from time to time appoint or as may be designated in the notice of the meeting. One or more members may participate in any meeting of the Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another. Participation in a meeting by such means shall constitute presence in person at the meeting.
- 3) At all meetings of the Committee, a majority of the members of the Committee shall constitute a quorum for the transaction of business and the acts of a majority of the members present and voting at a meeting at which a quorum is present shall be the acts of the Committee.
- 4) Any action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if, prior or subsequent to the action, consent thereto is signed by all of the members and is filed with the Secretary of PRM.

Indemnification of Committee Members

- 1) PURE shall indemnify any member of the Committee who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, 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, by reason of the fact that the member is or was a member of the Committee. This indemnification shall include expenses, including attorneys' fees, judgment, fines and amounts paid in settlement, actually and reasonably incurred by the member in connection with some action, suit or proceeding unless the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.
- 2) PURE shall pay expenses incurred by a Committee member in defending an action or proceeding referred to herein 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 he or she is not entitled to be indemnified by PURE.
- 3) The indemnification and advancement of expenses provided by, or granted pursuant to, this agreement shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, contract, vote of the members of PRM or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.
- 4) The indemnification and advancement of expenses provided by, or granted pursuant to, this agreement shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a member of the Committee and shall inure to the benefit of the heirs, executors and administrators of such person.
- 5) PURE shall maintain Directors & Officers insurance from a highly-rated insurance company at limits that are deemed appropriate by the Subscribers' Advisory Committee and consistent with limits carried by comparable insurance companies.