

SUMMARY OF THE SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY OF VICTOR INSURANCE EXCHANGE

Victor Insurance Exchange is a Domestic Surplus Lines Reciprocal Insurance Exchange organized under the laws of the State of Delaware (the “Exchange”) and existing for the benefit of the Subscribers of the Exchange (the “Subscribers”). As a Domestic Surplus Lines Reciprocal Insurance Exchange, the Exchange is an unincorporated association of subscribers operating through the contractual arrangements set forth in that certain Subscription Agreement and Power of Attorney (the “Subscription Agreement”), which is attached hereto and which all Subscribers must sign. Under Delaware law and pursuant to the Subscription Agreement, the Exchange and its Subscribers appoint a third-party, known as an “Attorney-in-Fact,” to manage and administer, directly and/or through one or more third parties, the day-to-day business operations and affairs of the Exchange on behalf of the Subscribers.

The attached Subscription Agreement provides the terms of your relationship with the Exchange and appoints Victor Attorney-In-Fact, LLC, a Delaware Limited Liability Company (the “AIF”), as the Attorney-in-Fact of the Exchange. Please carefully review the attached Subscription Agreement and sign below to acknowledge your intention to be legally bound by the terms and conditions of this Subscription Agreement.

This Summary and Cover Letter (the “Cover Letter”) provide an overview of certain key provisions of this Subscription Agreement, as follows:

Non-Assessable Policies: Section 5723 of the Delaware Insurance Code provides that a domestic reciprocal insurer may issue policies without contingent liability of the Subscriber for assessment (i) upon approval of the Commissioner of Insurance and (ii) on the condition that the Exchange shall have and at all times maintain surplus, as determined from its last annual statement, which is at least equal to the minimum capital and the paid-in surplus required to be maintained by a domestic stock insurer organized under the provisions of the Delaware Insurance Code. Accordingly, your liability as a Subscriber of the Exchange is limited to the premium and surplus contribution specified in your policy, and described in paragraph 5 of the Subscription Agreement, only if the unencumbered surplus of the Exchange is at least equal to the minimum capital stock and minimum surplus required of a stock Domestic Surplus Lines Insurer authorized to transact property and casualty insurance in Delaware.

Surplus Contributions: Along with your policy premium, you will pay a surplus contribution to the Exchange, which will help lower the cost of capital necessary for the Exchange to operate and will allow the Exchange to offer more competitively priced insurance to its Subscribers. This contribution will be collected along with your policy premium and is set at ten percent (10%) of total annual premium. For any given year, the AIF will have the discretion to lower the required surplus contribution, based on the capital needs of the Exchange.

Management of the Exchange: You will be appointing and designating the AIF to be the Attorney-in-Fact for the Exchange. As the Attorney-in-Fact, the AIF will manage all of the insurance operations of the Exchange on behalf of you and all of the other Subscribers.

Management Compensation: In exchange for services rendered, the Exchange will compensate the AIF as follows:

The AIF is authorized to utilize the operating funds of the Exchange to pay the expenses of the Exchange, including the cost of any director and officer liability insurance coverages for the AIF and members of the SAC (as defined below). These compensation arrangements are governed by the Attorney-in-Fact Agreement. Specifically, the AIF will be compensated for its services including, without limitation, underwriting, accounting and marketing management services provided to the Exchange. The AIF will receive as compensation an amount equal to eighteen and one-half percent (18.5%) of the annual gross premium written by the Exchange.

Related Party Transactions: You agree that the AIF may retain affiliates to provide management services to the Exchange. Such management services may include, but are not limited to, the retention of International Catastrophe Insurance Managers, L.L.C. (“ICAT”) to provide a full suite of program management, marketing, and underwriting services, Boulder Claims, LLC to provide claims management services, Marsh Captives Solutions to provide statutory accounting services, Marsh USA Inc. and/or Marsh & McLennan Agency to provide insurance brokerage services to prospective subscribers and Guy Carpenter to provide reinsurance brokerage services. You agree that the AIF may act as described herein and agree not to make any claim against the AIF or any of its affiliates based upon an assertion that the AIF or its affiliates had a conflict of interest in performing such services for the Exchange.

Subscribers’ Advisory Committee: The Exchange has established a Subscribers’ Advisory Committee (“SAC”) for the benefit of its Subscribers. The SAC, an advisory body, the initial members of which are selected by Victor Insurance Managers, LLC, will oversee the finances and operations of the Exchange to assure conformity with the Subscription Agreement and to represent the rights of the Subscribers under the Subscription Agreement. The SAC will provide Subscribers with an avenue for expressing their thoughts in connection with the operation of the Exchange. The Exchange will indemnify SAC members for, and you will agree not to sue them in connection with, their service on the SAC.

Subscriber Savings Accounts: The Exchange may, in the sole discretion of the AIF, allocate underwriting profits or surplus growth to its Subscribers. To this end, the AIF may, but is not obligated to, establish Subscriber Savings Accounts (“SSAs”) for each active Subscriber of the Exchange. SSAs are notional accounts held for active Subscribers. To the extent that the AIF determines to return to the Subscribers any underwriting profits or any surplus growth in years without underwriting profit, such amounts may be allocated to Subscribers’ SSAs. Any distributions from such SSAs will be subject to the performance of the Exchange, its ability to pay claims, and its overall financial strength. Any allocations to SSAs will be subject to the prior written approval of the Delaware Department of Insurance.

Arbitration: You, the Exchange, and the AIF agree that any and all disputes or differences, including, but not limited to, disputes concerning the formation or validity of the Subscription Agreement, disputes concerning coverage under the Subscription Agreement, or disputes involving any affiliate of the AIF, 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. In any dispute between the Subscriber and the Exchange, one

arbitrator shall be chosen by the Subscriber, one arbitrator shall be chosen by the AIF on behalf of the Exchange, and the third arbitrator will be chosen by the other two arbitrators. In any dispute between the Subscriber and the AIF (or any of the AIF's affiliates), one arbitrator shall be chosen by the AIF, one arbitrator will be chosen by the Subscriber, and the third arbitrator will be chosen by the other two arbitrators.

Limitation of Actions. Absent a finding of criminal or willful misconduct or recklessness, you agree that you will not sue, or name in any action or affirmative defense, the Exchange, or any of the affiliates of the AIF.

Assignment of Benefits: You understand and agree that you may not, without the prior written consent of the AIF, assign Subscriber's rights or obligations under the Subscription Agreement, in whole or in part, either voluntarily or by operation of law, and any attempt to make such an assignment in violation of the Subscription Agreement shall be a default of the Subscription Agreement and such attempted assignment shall be null and void and of no force or effect.

The above is only a summary of certain of the provisions of the Subscription Agreement and does not purport to describe all of the terms of the Subscription Agreement. The summary is qualified in its entirety by reference to the complete text of the Subscription Agreement, which is attached hereto. You are urged to carefully read the Subscription Agreement in its entirety because it is the primary legal document that governs your contractual relationship with the Exchange, the AIF, and the SAC.

Impairment of Exchange. You understand and agree that, if the assets of the Exchange are at any time insufficient to discharge the Exchange's liabilities or maintain the surplus required under the laws of Delaware or any other jurisdiction in which the Exchange conducts business, neither the AIF, or the affiliates of the AIF will be liable or be required to make up any such deficiency or otherwise fund the Exchange.

Tax Considerations: Any investment in the Exchange may entail certain tax risks, including, but not limited to: (i) the possibility that certain deductions claimed by the Exchange may be disallowed by the IRS or other taxing authorities and (ii) the possibility that future legislative, administrative, or judicial interpretations of current law or future legislation will change the tax treatment of the Exchange or you. Tax consequences which may affect you (including without limitation federal, state, local and foreign income tax consequences) with respect to any contribution to or investment in the Exchange are your sole responsibility. Each prospective subscriber is advised to consult their tax advisor regarding the tax effects of a contribution or investment in the Exchange, including, without limitation, information return and reporting requirements, which may be imposed.

Acceptance, Signature, and Acknowledgment of Receipt located on the following page.

Acceptance of Subscription Agreement: By signing below, you agree, among other things, to become a Subscriber of the Exchange, to appoint the AIF as the Attorney-in-Fact of the Exchange and to be legally bound by the terms and conditions of the Subscription Agreement. Due to the structure and rules of the Exchange, your insurance policy cannot become effective without a final, agreed-upon Subscription Agreement. If you fail to sign this Cover Letter, the Exchange reserves the right to terminate your coverage. **However, if you fail to sign this Cover Letter but remit an application for coverage and payment of corresponding premium and surplus contribution, you will be deemed a Subscriber of the Exchange and bound by the Subscription Agreement and the Revocable Proxy, and the Exchange may, but is not required to, implement coverage accordingly.**

Signature:

By: _____

Name: _____

Date: _____

Acknowledgment of Receipt:

Automated

Receipt Acknowledged

Victor Insurance Exchange

Testing

Signature: _____

Name: Lawrence D. Ha

Title: Secretary

Date: _____

**REVOCABLE PROXY
OF
SUBSCRIBER**

The undersigned (“Subscriber”) appoints the members of the Subscribers’ Advisory Committee (the “SAC”) of Victor Insurance Exchange, a Delaware domestic reciprocal insurance company offering property insurance coverages (the “Exchange”), and each member of the SAC, as agents and attorneys with powers of substitution in each of them as Subscriber’s lawful proxy to vote and act for Subscriber and in Subscriber’s name at any meeting of the subscribers of the Exchange.

This proxy is solicited on behalf of the management of the Exchange and will empower the holders to vote on Subscriber’s behalf for any business as may properly come before any meeting of the subscribers.

Subscriber understands that Subscriber may revoke this proxy by giving the Exchange written notice of Subscriber’s revocation at least 10 days before the date of any meeting of the subscribers of the Exchange at which this proxy is to be exercised. Subscriber further understand that if Subscriber attends a meeting, Subscriber may revoke this proxy by electing to vote in person. **Subject to the foregoing, Subscriber understands that this proxy shall be irrevocable.**

Subscriber understands that the signing of this proxy is not a condition of completion of an application for an insurance policy to be issued by the Exchange and that Subscriber’s failure or refusal to sign will not be considered in connection with the underwriting of Subscribers’ application for such insurance.

Signature:

Testing

By: _____

Name:

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY OF VICTOR INSURANCE EXCHANGE

The undersigned subscriber (the “Subscriber”) to Victor Insurance Exchange, a Reciprocal Insurance Exchange formed under the laws of the State of Delaware (the “Exchange”), by signing this Subscription Agreement and Power of Attorney (the “Subscription Agreement”) and the Summary and Cover Letter (the “Cover Letter”) attached hereto agrees with all other Subscribers to the Exchange (the “Subscribers”), and with Victor Attorney-in-Fact (the “AIF”), as follows:

1. Power of Attorney.

1.1 Designation. The Subscriber hereby appoints the AIF as the Attorney-in-Fact for the Exchange with the express power, authority, and permission to effectuate and conduct the lawful business affairs of the Exchange. 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 the Exchange, any and all kinds of reciprocal insurance contracts, which the Exchange is authorized by law to write; (b) issue, exchange, renew, non-renew, cancel or modify insurance policies; (c) act as intermediary to obtain reinsurance; (d) appear for, compromise, prosecute, adjust, settle, defend, litigate, appeal, and pay claims or losses under the insurance policies of Subscribers; (e) accept service of process on behalf of the Exchange in actions against the Exchange upon contracts exchanged by subscribers of the Exchange; (f) authorize the Insurance Commissioner of the Delaware Department of Insurance to receive service of process in actions against the Exchange upon contracts exchanged by Subscribers of the Exchange; (g) open accounts and borrow money in the name of the Exchange; (h) hire and compensate personnel and agents; (i) collect premiums and invest and reinvest funds; (j) receive notices and proof of loss; (k) administer subscriber accounts, including their respective Subscriber Savings Accounts if applicable, including allocations thereto and distributions therefrom; and (l) to conduct the business and affairs of the Exchange, as set forth herein, in the organizational documents of the Exchange, and that certain Attorney-in-Fact Agreement between the Exchange and the AIF (the “Attorney-in-Fact Agreement”).

1.2 Limited Power of Attorney. The powers, rights, obligations, and responsibilities of the AIF are limited to those described in this Subscription Agreement and in the Attorney-in-Fact Agreement.

1.3 Offices of Attorney-In-Fact. The offices of the AIF will be the same as the principal office of the Exchange, located at 1209 Orange Street, Wilmington, Delaware 19801. The offices of the Exchange or the AIF may be changed in compliance with the requirements of the laws of the State of Delaware and the Subscriber will be promptly notified of any such change of office location and when any such change shall be effective.

1.4 Attorney-in-Fact Agreement. The Attorney-in-Fact Agreement between the Exchange and the AIF, which establishes the AIF as the Attorney-in-Fact for the Exchange, is incorporated herein by reference. **By agreeing to be bound by the terms of this Subscription Agreement, you understand and agree that the Exchange will be bound by the terms of the Attorney-in-Fact Agreement.**

1.5 Related Party Transactions: In carrying out its obligations on behalf of the Exchange, you understand and agree that the AIF may retain affiliates to provide management services to the Exchange. Such management services may include, but are not limited to, the retention of International Catastrophe Insurance Managers, L.L.C. ("ICAT") to provide a full suite of program management, marketing, and underwriting services, Boulder Claims, LLC to provide claims management services, Marsh Captives Solutions to provide statutory accounting services, Marsh USA Inc. and/or Marsh & McLennan Agency to provide insurance brokerage services to prospective subscribers and Guy Carpenter to provide reinsurance brokerage services. You further understand and agree that the AIF may act as described herein and agree not to make any claim against the AIF or any of its affiliates based upon an assertion that the AIF or its affiliates had a conflict of interest in performing such services for the Exchange.

1.6 Termination of Attorney-in-Fact Appointment. The Subscriber understands and agrees that termination of the appointment of the AIF and the Attorney-in-Fact Agreement will be subject to and governed by the terms of the Attorney-in-Fact Agreement and the Subscriber agrees to be bound by those terms.

2. Compensation of the AIF.

2.1 Fees for Services. In consideration for the services provided to the Exchange and under the terms of the Attorney-in-Fact Agreement, the AIF will be compensated for its services including, without limitation, underwriting, accounting and marketing management services provided to the Exchange. The AIF will receive as compensation an amount equal to eighteen and one-half percent (18.5%) of the annual gross premium written by the Exchange.

2.2 Adjustments and Modifications. The AIF's total compensation, as set forth in greater detail in the Attorney-in-Fact Agreement, may be revised or modified at any time, subject to the prior written approval of the Delaware Department of Insurance.

2.3 Waiver of Fees. At the sole discretion of the AIF, the AIF may waive compensation from the Exchange as a method to build or maintain surplus in the Exchange.

2.4 Expenses. The Exchange will be liable, and will reimburse the AIF on demand, for losses, loss adjustment expenses, investment expenses, and other expenses attributable to the operations of the Exchange.

3. Exchange of Policies: The Subscriber hereby offers and agrees to exchange policies with the other Subscribers of the Exchange. The Subscriber understands and agrees that the reciprocal insurance contracts to be exchanged hereunder are non-assessable, subject to Section 5723 of the Delaware Insurance Code and as further set forth in paragraph 17 of this Subscription Agreement, thereby limiting the liability of the Subscriber to the Exchange to the policy premium and surplus contribution that are provided for under paragraph 5 of this Subscription Agreement.

4. Subscribers' Advisory Committee:

4.1 Formation and Role of SAC. The Subscriber understands that the Exchange and the AIF have established a Subscribers' Advisory Committee (the "SAC") to exercise any rights reserved to Subscribers and assist the AIF in supervising the operations of the Exchange. The duties and powers of the SAC are contained within the Subscribers' Committee Charter ("SAC Charter"). The Subscriber understands and agrees that the powers of the SAC are limited to those enumerated in the SAC Charter and in this Subscription Agreement. Initial members of the SAC shall be selected by Victor Insurance Managers Inc. ("Victor") in consultation with the AIF and the Subscriber agrees that the SAC shall (a) have only the enumerated responsibilities specifically assigned to it, (b) exercise the rights of all Subscribers of the Exchange, and (c) consist of at least two-thirds current insured Subscribers of the Exchange who are independent of the AIF. The Subscriber understands and agrees that the Subscriber is not entitled to directly participate in the management of the Exchange other than through appointment and service as a member of the SAC.

4.2 Supervisory Powers of SAC. The Subscriber agrees that the SAC will supervise the finances and operations of the Exchange to the extent as is necessary to assure conformity with this Subscription Agreement and the Attorney-in-Fact Agreement. The SAC will meet not less than quarterly with senior management of the AIF to review financial performance and other matters pertaining to the operation of the Exchange. The SAC also shall provide, at the expense of the Exchange, a audit of the accounts and records of the Exchange and the AIF.

4.3 Indemnification of SAC Members. To the extent permitted by law, the Subscriber agrees that the Exchange shall defend and hold harmless each and every member of the SAC from and against any liability that may arise from, or is in any way connected with, such member's participation on the SAC. This indemnification 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. The Subscriber also agrees that such Subscriber will not sue or name in any action or affirmative defense any SAC member or the SAC for actions arising from, or is in any way connected with, such member's participation on the SAC.

4.4 Compensation of SAC Members. The members of the SAC shall be entitled to compensation for the services they will provide to the Exchange. Specifically, SAC members will each be entitled to be compensated in an amount not less than \$15,000.00 for each meeting held with senior management of the AIF, but no more than \$60,000.00 annually.

5. Surplus Contributions.

5.1 Policy Premium and Surplus Contributions. The Subscriber agrees to pay his or her policy premium when due and, in addition, to make a contribution to the surplus of the Exchange in the amounts and during the period of time set forth in paragraph 5.2 below (the "Surplus Contribution"). The Subscriber understands and agrees that the amounts paid as Surplus Contribution will be credited as policyholder surplus for the benefit and protection of all of the Subscribers and that any such Surplus Contribution made to the Exchange is not to be treated as premium for insurance coverage provided by the Exchange to any Subscriber.

5.2 Timing and Amounts of Surplus Contributions. The Surplus Contribution is payable to the Exchange on or prior to the initial effective date of the Subscriber's coverage, and is subsequently due annually at the same time as the payment of the policy renewal premium is due. The Surplus Contribution shall be 10% of total annual insurance premiums (and may be charged at a lower rate, or not at all, in the discretion of the AIF).

5.3 Return of Surplus Contributions. The Subscriber understands and agrees that the amounts paid as a Surplus Contribution will be credited as policyholder surplus for the benefit and protection of all the Subscribers of the Exchange, are not premiums for insurance, and may only be returned in limited circumstances. The Subscriber further understands and agrees that the ability of the Exchange to return Surplus Contributions to its Subscribers is subject to the provisions of this Subscription Agreement, the prior repayment in full of any outstanding surplus notes, and is limited by law. Upon the issuance of an insurance policy, or other confirmation of coverage by the Exchange, the return of Surplus Contribution can occur only with the approval of the AIF and the Delaware Department of Insurance, and as set forth in this Subscription Agreement. In the event of a mid-term policy cancellation, the AIF will return any unearned Surplus Contribution (without interest) applicable to the cancelled policy term, calculated at the same rate as specified in the policy for unearned return premium, and subject to the restrictions set forth in paragraph 6 hereof and any applicable law. All other Surplus Contribution amounts, including those made for previous policy terms, will be retained by the Exchange for the benefit of all remaining Subscribers. The subscriber understands and agrees that the return of Surplus Contributions, other than the portion applicable to a cancelled policy term in the event of a mid-term policy cancellation, will be subject to the approval of the AIF, the Delaware Department of Insurance, and the restrictions set forth in this paragraph 5 and paragraph 6 hereof.

6. Subscriber Savings Accounts. The AIF may, but is not required to, maintain separate individual Subscriber Savings Accounts ("SSAs") for each subscriber. In years in which the Exchange achieves operating profit and surplus growth, after accounting for paid losses, loss reserves and operating and policy acquisition expenses, the AIF, in its sole discretion, may credit your SSA with a portion of the amount of the Exchange's growth in surplus for a fiscal year. Any such credit may be made pro rata, based on the Subscriber's earned premium for such year. The Subscriber understands and agrees that (a) any contributions to be made to a Subscriber's SSA are based on the Exchange's overall results, not the results of any individual subscriber; and (b) any and all such funds allocated to the Subscriber would be considered part of the Exchange's surplus and the AIF would be authorized to use any and all such funds to pay any unsatisfied obligations of the Exchange. As set forth in this Subscription Agreement, the Subscriber may be eligible for a distribution from its SSA (y) at such time when the Subscriber is no longer insured by the Exchange, or (z) at such other times, as determined by the AIF in its sole discretion. In order to avoid any impairment to the surplus of the Exchange, the AIF retains the right to limit the distribution from the SSAs to Subscribers whose coverage has been terminated by the Exchange. Any allocations to an SSA will be subject to the approval of the Delaware Department of Insurance.

7. Limitations on Distributions of Surplus Contributions and SSAs. No payment of a returned Surplus Contribution or a distribution of SSA funds (together, a "Surplus Distribution") will be made (i) if such payment could risk the financial impairment of the Exchange or (ii) at any time at which the Exchange has any outstanding surplus note obligations. Surplus Distribution

Payments are subject to the sole discretion of the AIF and any Surplus Distribution payments that have otherwise been approved by the AIF may be delayed if, as determined by the AIF, the total amount of such payments to all applicable Subscribers to the Exchange, within the preceding 12 months, would exceed the lesser of: (a) ten percent (10%) of the total surplus of the Exchange calculated as of the immediately preceding December 31, or (b) the total net income of the Exchange 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 paragraph 7, 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 the AIF in its sole and absolute discretion and as allowed by applicable law. Any payments delayed pursuant to the requirements set forth in this paragraph 7 will be paid as soon as possible when the AIF determines that payment can be made in compliance with this paragraph 7 and the requirements of the Exchange. If this paragraph 7 is found to conflict with other terms of this Subscription Agreement, this paragraph 7 supersedes all other terms and conditions of this Subscription Agreement.

8. Advance of Money by Attorney-in-Fact. The Subscriber understands and agrees that the AIF may, but is not required to, advance to the Exchange any amount of money necessary to conduct the business of the Exchange, including any amount necessary to enable the Exchange to comply with a legal requirement. Subject to the approval of the Delaware Department of Insurance, the AIF may impose interest on an advanced amount at an annual rate which shall be computed in accordance with the mid-term applicable federal rate "AFR" then in effect for the month that the advance is made, as published by the United States Internal Revenue Service. The advanced amount and any agreed interest on that amount, should the AIF decide to impose such interest: (i) is payable only from the surplus of the Exchange remaining after providing for all reserves, other liabilities, and required surplus; and (ii) may not otherwise be a liability or claim against the Exchange or any of the Exchange's assets. The Subscriber further understands and agrees that a commission, promotion expense, or other bonus may not be paid in connection with the advance of money to the Exchange and that the amount of each advance must be reported in the Exchange's annual report.

9. Return of Surplus upon Liquidation. The Exchange is subject to the insurance laws and regulations of the State of Delaware, including those governing rehabilitation and liquidation of insurance companies. The Subscriber understands and agrees that upon the liquidation of the Exchange, the assets of the Exchange remaining after discharge of its indebtedness and policy obligations, the return of any contributions made by the AIF or other persons to its surplus, 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, as provided by Delaware law, the approval of the Commissioner of Insurance (in his capacity as liquidator) and the court overseeing the liquidation.

10. Rejection of Coverage. The Subscriber understands and agrees that the Exchange has an obligation to its Subscribers to maintain strict eligibility and underwriting requirements. The Exchange has the right to reject any application for insurance, including this Subscription 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 the Exchange, the Surplus Contribution and premium will be returned to the Subscriber, without payment of interest. An

existing subscriber applying for additional lines of coverage is not guaranteed acceptance for those new lines of coverage.

11. Termination: This Subscription Agreement may be terminated at any time, by the Subscriber or the AIF, by terminating all insurance policies issued to the Subscriber, subject to applicable policy provisions and applicable law. Upon the termination of all insurance policies issued to the Subscriber, subject to the approval of the Delaware Department of Insurance and as otherwise set forth in this Subscription Agreement, the balance remaining in your SSA or eligible Surplus Contribution, after allocation of expenses and claims, will be returned to the Subscriber within six months thereafter. Subject to the immediately preceding sentence, in the event that you should cease to maintain insurance with the Exchange, regardless of whether such insurance is cancelled, rescinded or non-renewed for any reason, you will lose all rights as a Subscriber to the Exchange.

12. Acknowledgement of Receipt of Documents. The Subscriber hereby acknowledges and confirms receipt of and represents and warrants to the Exchange and the AIF, that the Subscriber has read and fully understands, the SAC Charter and the Attorney-in-Fact Agreement, each of which has been attached as an exhibit to this Agreement, prior to executing this Subscription Agreement.

13. Binding Agreement. This Subscription Agreement will be accepted by the AIF upon receipt of the Subscriber's executed signature on the cover page. The Subscriber agrees that this Subscription Agreement, including the power of attorney set forth herein, will apply to all insurance policies for which the Subscriber has applied, or will apply, with the Exchange. The Subscriber further agrees and understands that upon acceptance of this Subscription Agreement by the AIF, the terms and conditions of each of this Subscription Agreement, the SAC Charter, and the Attorney-in-Fact Agreement will be read and binding upon the AIF, the Subscriber, and each of the parties' respective personal representatives, administrators, successors, and assigns, as indicated by the Subscriber's signature on the cover page.

14. Arbitration.

(a) As a condition precedent to any right of action arising under or out of this Subscription Agreement, the Subscriber, the Exchange, and the AIF (each being individually referred to herein as a "Party," or collectively as the "Parties") agree that that any and all disputes or differences, including, but not limited to, disputes concerning the formation and/or validity of this Subscription Agreement, disputes concerning coverage under this Subscription Agreement, or disputes involving any affiliate of the AIF, 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. In any dispute between the Subscriber and the Exchange, one arbitrator shall be chosen by the Subscriber, one arbitrator shall be chosen by the AIF on behalf of the Exchange, and the third arbitrator will be chosen by the other two arbitrators. In any dispute between the Subscriber and the AIF (or any of the affiliates of the AIF), one arbitrator shall be chosen by the Subscriber, one arbitrator shall be chosen by the AIF, and the third arbitrator will be chosen by the other two arbitrators. In the event any Party does not appoint an arbitrator within 60 days after the other Party requests it to do so, or if the two arbitrators selected by the Subscriber and the AIF (on behalf of the Exchange) 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 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 paragraph will take place in Delaware unless otherwise agreed by the Parties in writing.

(b) Any action, litigation, suit or proceeding arising out of or relating to this Subscription Agreement or any transaction contemplated hereby, including the enforceability of the provisions of paragraph 14(a) hereof, shall be brought solely in federal or state courts of competent jurisdiction sitting in the courts located in Delaware, and each of the Parties hereto hereby irrevocably consents and submits to the exclusive jurisdiction of such courts.

(c) Notwithstanding any dispute or difference of opinion arising under this Subscription Agreement, the Exchange and the AIF must fulfill all obligations under the reciprocal insurance contracts exchanged by the Subscribers.

15. Limitation of Actions. Absent a finding of criminal or willful misconduct or recklessness, the Subscriber agrees that neither the Exchange nor any of the affiliates of the AIF will be sued or named in any action or affirmative defense by the Subscriber.

16. Assignment or Benefit. The Subscriber may not, without the prior written consent of the AIF, assign Subscriber's rights or obligations under this Subscription Agreement, in whole or in part, either voluntarily or by operation of law, and any attempt to make such assignment shall be a default of this Subscription Agreement and such attempted assignment shall be null and void and of no force or effect. The Subscriber understands that any such default of this Subscription Agreement by the Subscriber as a result of an assignment made in violation of this paragraph 16 may constitute grounds for expulsion from the Exchange at the sole discretion of the AIF.

17. Non-Assessable Policies. Section 5723 of the Delaware Insurance Code provides, in pertinent part, that a domestic reciprocal insurer may issue policies without contingent liability of the Subscriber for assessment upon approval of the Commissioner of Insurance and upon compliance with the requirement that the Exchange shall have, and at all times maintain, a surplus, as determined from its last annual statement, which is at least equal to the minimum capital stock and surplus required to be maintained by a domestic stock insurer authorized to transact like kinds of insurance under the Delaware Insurance Code. Accordingly, your liability as a Subscriber of the Exchange is limited to the policy premium and surplus contribution specified in your policy, and described in paragraph 5 herein, only if the unencumbered surplus of the Exchange is at least equal to the minimum capital stock and minimum surplus required of a stock Domestic Surplus Lines Insurance Company organized under Section 1932 of the Delaware Insurance Code.

18. Modification of Subscription Agreement. This Subscription Agreement may only be modified by joint action of the AIF and SAC. Any such modifications proposed by the AIF must be approved by majority vote of the SAC. No such modification shall be effective retroactively nor as to any insurance contract issued by the Exchange prior thereto. Modifications adopted in accordance with this paragraph shall be binding upon the AIF and each Subscriber party hereto.

19. Impairment of Exchange. The Subscriber understands and agrees that, if the assets of the Exchange are at any time insufficient to discharge the Exchange's liabilities or maintain the surplus required under the laws of Delaware or any other jurisdiction in which the Exchange conducts business, neither the AIF, nor the affiliates of the AIF will be liable or be required to make up any such deficiency or otherwise fund the Exchange.

20. Tax Considerations: Any investment in the Exchange may entail certain tax risks, including, but not limited to: (i) the possibility that certain deductions claimed by the Exchange may be disallowed by the IRS or other taxing authorities and (ii) the possibility that future legislative, administrative, or judicial interpretations of current law or future legislation will change the tax treatment of the Exchange or the Subscriber. Tax consequences on the Subscriber (including without limitation federal, state, local and foreign income tax consequences) with respect to any contribution to or investment in the Exchange are the sole responsibility of the Subscriber. Each prospective subscriber is advised to consult their tax advisor regarding the tax effects of a contribution or investment in the Exchange, including, without limitation, information return and reporting requirements, which may be imposed.

21. General Provisions.

21.1 Governing Law. This Subscription Agreement and all matters relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to its choice of law principles.

21.2 Rules of Construction. When reference is made in this Subscription Agreement to a paragraph, such reference shall be to a paragraph of this Subscription Agreement unless otherwise indicated. Any capitalized terms used in any attachment to this Subscription Agreement but not otherwise defined therein shall have the meanings ascribed to such terms in this Subscription Agreement.