

ARMED FORCES INSURANCE EXCHANGE
(An Interinsurance Exchange)

550 Eisenhower Road
Leavenworth, Kansas 66048

SUBSCRIBER'S AGREEMENT AND POWER OF ATTORNEY

The undersigned subscriber (hereinafter referred to as Subscriber) to Armed Forces Insurance Exchange (hereinafter referred to as AFIE), a Kansas domestic reciprocal located at Leavenworth, Kansas, has read and agrees with all sections of this Subscriber's Agreement and Power of Attorney.

Subscriber understands this Subscriber's Agreement and Power of Attorney is strictly limited to the use and the purpose herein expressed and to no other purpose.

Subscriber understands that AFIE approval of any additional lines of available coverage is not guaranteed, and that AFIE retains the right to no longer offer certain lines of coverage in specified jurisdictions. Subscriber also understands if insurance with AFIE is not maintained, regardless of whether such insurance is cancelled, rescinded or nonrenewed for any reason by AFIE or Subscriber, Subscriber will lose all rights as an AFIE subscriber.

SECTION 1. (Bylaws Adoption)

Subscriber adopts, as a part of this Subscriber's Agreement and Power of Attorney, the Bylaws of AFIE now or hereafter effective.

SECTION 2. (Power of Attorney)

- A. Subscriber agrees with all other AFIE subscribers to exchange private contracts of insurance.
- B. To that end, Subscriber hereby appoints Armed Forces Insurance Corporation (hereinafter referred to as AFIC), located at 550 Eisenhower Road, Leavenworth, Kansas, in accordance with Section 5 of Article II of AFIE Bylaws (hereinafter referred to as Bylaws), with full powers of substitution and revocation, and authority to act jointly or severally, as Attorney-in-Fact, in Subscriber's name, place and stead, to represent Subscriber in the exchange of insurance contracts with other AFIE subscribers as now or hereafter authorized by AFIC; to subscribe and deliver all proper contracts of insurance; to take any action in furtherance of the exchange of such contracts of insurance; to do and perform every other thing Subscriber could do in respect to such contracts so exchanged, including the appearance and defense in Subscriber's name in actions and proceedings; and to manage and conduct the business, affairs and property of AFIE.
- C. The powers hereby vested in said attorney shall be exercised only in accordance with the decisions of the Board of Directors of AFIC provided that said Board may deputize such person or persons as may be appointed therefore by the Board of Directors of AFIC to authenticate the policy contracts now applied for or those that Subscriber may hereafter apply for, and all papers pertaining thereto. It is understood that subscribers reserve unto themselves the right to govern AFIE according to the decision of a majority of subscribers present in person or by proxy at any meeting, subject to the provisions of applicable state law and Article IX of the Bylaws.
- D. Subscriber agrees said attorney shall have application to all insurance applied for by Subscriber, including such modifications or changes in any Subscriber's insurance as may be made at Subscriber's request, and the representations made by Subscriber in connection with each policy shall have the same force and effect as if contained in this instrument.

SECTION 3. (Subscribers' Advisory Committee)

Subscriber understands AFIE and AFIC have established a Subscribers' Advisory Committee (hereinafter referred to as SAC) to exercise any rights reserved to subscribers and to assist AFIC in supervising AFIE operations in accordance with the Bylaws.

SECTION 4. (Premium Payments and Subscriber's Surplus Contributions)

- A. To benefit and protect all subscribers, Subscriber agrees to pay any AFIE policy premium when due.
- B. To benefit and protect all subscribers, Subscriber agrees to contribute to the surplus of AFIE (hereinafter referred to as Surplus Contribution) each time an AFIE policy is issued to Subscriber and each time that policy is renewed, subject to conditions provided in Paragraph C. below and in Section 6 of this Subscriber's Agreement and Power of Attorney.

C. Subscriber understands and agrees with the following:

- I. Surplus Contributions are not premiums for insurance.
- II. Surplus Contributions become part of the undivided surplus of AFIE and will be available to meet any obligations to creditors of AFIE.
- III. The Board of Directors of the Attorney-in-Fact (hereinafter referred to as BOD) determines the Surplus Contribution rate, the manner of payment, and the payment period that applies to all subscribers with policies effective on or after a specified date.
- IV. The Surplus Contribution rate is defined as a specified percentage of total annual policy premium.
- V. There will be no advance notice to subscribers of a Surplus Contribution rate change if the revised rate does not exceed ten percent (10%) of the total annual policy premium.
- VI. There will be advance notice to subscribers of a Surplus Contribution rate change if the revised rate exceeds ten percent (10%) of the total annual policy premium.
- VII. Any Surplus Contribution rate change will apply prospectively to all policies effective on or after a specified date. The revised rate will only be due on AFIE policies that are effective on or after that specified date.
- VIII. If policy premium increases or decreases during the policy period, any Surplus Contribution for that policy will be adjusted on a pro-rata basis.
- IX. If an AFIE policy is cancelled mid-term by Subscriber or AFIE for any reason, any Surplus Contribution received by AFIE for that cancelled policy will be adjusted on a pro-rata basis, and any amount applicable to the cancelled policy term will be credited to Subscriber without interest.
- X. If an AFIE policy is cancelled by Subscriber or AFIE for any reason and no coverage was provided, any Surplus Contribution received by AFIE for that flat-cancelled policy will be returned in full to Subscriber without interest.
- XI. The AFIE premium billing statement(s) will include required Surplus Contribution(s) and, if applicable, any subsequent adjustments.

SECTION 5. (AFIE Distributions to Subscriber's Capital Accounts)

- A. The BOD, at its discretion, may authorize a distribution from Underwriting Profits to be applied to every Subscriber's Capital Account (SCA) as defined in Section 6. Any distribution from Underwriting Profits made to the Subscriber's SCA is based on AFIE's overall results, not the result of any individual Subscriber.

SECTION 6. (Subscriber's Capital Account)

A. Subscriber understands:

- I. AFIE will establish an individual non-interest and non-dividend bearing Subscriber's Capital Account (hereinafter referred to as SCA) in Subscriber's name.
- II. The SCA shall not be considered a liability of AFIE.
- III. Surplus Contributions made by the Subscriber, as defined in Section 4, and AFIE distributions, as defined in Section 5, will be credited to Subscriber's SCA.
- IV. The SCA balance shall not exceed twice the Subscriber's total annual policy premiums for all AFIE policies in force.

B. Subscriber understands and agrees:

- I. The SCA account balance shall be considered vested when Subscriber has been an AFIE subscriber for five or more consecutive years.
The SCA account balance shall be considered unvested when Subscriber has been an AFIE subscriber for less than five consecutive years.
If there is a lapse in AFIE subscribership, any consecutive years as a prior AFIE subscriber will not be considered for vesting purposes.
- II. A vested SCA is subject to the following conditions:
 - a. Any excess SCA balance, as defined in Section 6.A.4, or the entire SCA balance upon termination of all AFIE policies shall be returned to Subscriber no later than 120 days, but only:
 1. Upon approval of the BOD, and
 2. If such return would not cause AFIE to be in a hazardous financial condition as defined by law or reduce AFIE surplus below the minimum surplus required by law; and
 3. If such return would not cause AFIE to be in a hazardous financial condition as determined by the BOD.
 - b. If return of a vested SCA balance is delayed, pursuant to Paragraph a. above, the returned balance will be paid as soon as possible, as determined by the BOD at its sole discretion and as allowed by applicable law.

- III. An unvested SCA is subject to the following condition:
Any excess SCA balance as defined in Section 6.A.4., or the entire SCA balance upon termination of all AFIE policies, shall not be returned to the Subscriber and shall be considered unrestricted surplus of AFIE.
- IV. If the BOD determines AFIE is in a hazardous financial condition due to hardship or distress, the SAC may require any amount of a vested and/or unvested SCA balance to be applied to the unrestricted surplus of AFIE and not returned to Subscriber.

SECTION 7. (Execution and Termination of Subscriber’s Agreement and Power of Attorney)

- A. Subscriber agrees failure to return a signed Subscriber’s Agreement and Power of Attorney within 30 days after policy issue shall be deemed acceptance of the Subscriber’s Agreement and Power of Attorney. Subscriber also agrees revisions of the Subscriber’s Agreement and Power of Attorney are not required to be executed.
- B. Subscriber agrees this Subscriber’s Agreement and Power of Attorney now or hereafter effective shall be binding and become effective on the date hereof, and shall remain in force and effect only so long as Subscriber has a contract of insurance with AFIE.
- C. Subscriber agrees this Subscriber’s Agreement and Power of Attorney may be terminated at any time, by the Subscriber or AFIC, by terminating all AFIE insurance policies issued to the Subscriber, subject to applicable policy provisions and applicable law.

Executed this _____ **day of** _____ **20** _____ **, at** _____

Sign here _____
(Do not print – legal signature required)