

PURE SPECIALTY EXCHANGE

Attorney-in-Fact Agreement

This Attorney-in-Fact Agreement (“Agreement”) is made effective this 23 day of February, 2022, between PURE Specialty Exchange (“PSE”), an Arizona domestic surplus lines reciprocal insurance company, and PURE Specialty Risk Management LLC (“PSRM”). The PSRM offices will be located together with PSE’s principal office, in Scottsdale, Arizona, but may be changed upon notice to the members and in compliance with the requirements of the State of Arizona.

WITNESSETH:

WHEREAS, as part of the applications for insurance by members to PSE, all members will, pursuant to the Membership Agreement, appoint PSRM to act as the Attorney-in-Fact with the authority to exchange reciprocal insurance contracts among the members of PSE, assume reinsurance and to manage all operations of PSE; and

WHEREAS, PSE and PSRM desire to set forth the terms and conditions upon which PSRM will accept its appointment as Attorney-in-Fact for the members to exchange their reciprocal insurance contracts, assume reinsurance and to manage all operations of PSE;

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

1. **Acceptance of Appointment as Attorney-in-Fact:** PSRM hereby accepts its appointment as Attorney-in-Fact pursuant to the Membership Agreement to be executed by all members to PSE and agrees, as Attorney-in-Fact, to exchange reciprocal insurance contracts among the members as set forth in the Membership Agreement and to manage all aspects of assumed reinsurance on behalf of PSE.
2. **Management Services:** PSRM will furnish all employees and resources necessary to provide for the necessary and appropriate management services to PSE, including, without limitation by reason of specification, provision for the following functions on behalf of PSE:
 - a. The administration and management of the day-to-day insurance and reinsurance business of PSE 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 reinsurance, and the determination of the acceptability of the risks involved in accordance with the policies and standards established by PSRM;
 - c. The underwriting, classification, rating and issuance of policies, endorsements and binders of insurance and reinsurance agreements for PSE in accordance with customary insurance and reinsurance practices;
 - d. The establishment and maintenance of complete and accurate records of reciprocal insurance contracts exchanged by PSRM on behalf of PSE in accordance with the policies and standards established by PSRM;
 - e. The establishment and maintenance of complete and accurate records of all assumed reinsurance issued by PSRM on behalf of PSE in accordance with reinsurance agreements and the policies and standards established by PSRM;
 - f. The collection, receipt and accounting for all funds received as payments of insurance premiums, reinsurance premiums, contributions to surplus and other receipts and the timely deposit, at least quarterly, of all such funds in a Federal Reserve System member bank or banks in the name of PSE in accordance with the Accounting Practices and Procedures Manual and the policies and procedures established by PSRM; the establishment and monitoring of loss reserves in accordance with sound insurance, reinsurance and actuarial practices and procedures; the maintenance of all funds of PSE 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 PSRM, at the expense of PSE (any such invested funds shall remain the exclusive property of PSE for the benefit of PSE, and subject to its control);
 - g. The establishment and maintenance of all financial and business records required by applicable laws/ regulations, generally accepted insurance, reinsurance and accounting practices and in accordance with the policies and standards established by PSRM; and the preparation of all reports required by governmental and nongovernmental regulatory and supervisory authorities;
 - h. The placement of reinsurance and/or retrocession agreements as required by law or by sound and accepted insurance, reinsurance and business practices, the payment of premiums thereof at the expense of PSE, the maintenance of all necessary records in connection with such agreements, and the taking of all actions or the making of any claims required or permitted by such reinsurance/retrocession agreements;
 - i. 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 PSE and for the timely payment of claims on behalf of and at the expense of PSE, including the employment of claims adjusters, attorneys, and other personnel to handle claims on behalf of PSE;
 - j. The retention of investment advisors, financial advisors, actuaries and other necessary consultants, at the expense of PSE;
 - k. The monitoring of legal affairs, including compliance with applicable legal requirements and the making of required filings with the Arizona Department of Insurance and Financial Institutions and all other governmental authorities having jurisdiction over PSE;
 - l. The appointment, supervision and termination of surplus lines brokers and retail producers;

PURE SPECIALTY EXCHANGE

Attorney-in-Fact Agreement

- m. The development and maintenance of all systems and procedures necessary to comply with any insurer anti-fraud requirements of the State of Arizona;
- n. The commencement and defense, at the expense of PSE, of legal and administrative proceedings brought by or against PSE including acceptance of service of process on behalf of PSE, entering legal appearances on behalf of PSE and the compromise, litigation, defense and settlement of losses and claims; and
- o. The taking of all such other actions as PSRM determines to be necessary, advisable or proper in order for PSRM to discharge its responsibilities and duties under all governance documents of PSE and this Attorney-in Fact Agreement.

3. **Management Fee:** As compensation for the management services to be performed by PSRM as Attorney-in-Fact on behalf of PSE as set forth in Section 2, above, PSE agrees that PSRM is authorized to retain a percentage of PSE's gross written premiums. In consideration of the services provided to PSE, PSRM will receive as compensation an amount equal to 30% of gross written premium of insurance policies issued by PSE. This percentage may be adjusted at any time as agreed to by both PSE and PSRM with written approval by the Arizona Department of Insurance and Financial Institutions. Any change to the percentage will be disclosed to the members. PSRM will refund to PSE any unearned members fees on a pro-rata basis for cancelled policies.

Reinsurance premium will not be included in the calculation of compensation owed to PSRM as acting as the Attorney-in-Fact of PSE. PSRM, or an affiliate, may, however, act as the reinsurance broker for assumed reinsurance. As compensation for acting as the reinsurance broker, PSRM, or its affiliate, may receive from PSE a customary fee in the reinsurance industry.

Any advancement of funds to PSRM by PSE, other than to compensate for services provided as described herein, is prohibited.

4. **Payment of Expenses of PSE:** PSRM, on behalf of PSE, is authorized to utilize the funds of PSE to pay all of the expenses of PSE including, without limitation by reason of specification, allocated loss adjustment expense, PSE Adjustment Claim Allocation (which reflects the internal cost of claim handling, broken down to claim level by feature and complexity based on a rate card provided to the Members' Advisory Committee ("MAC"), when amended), surplus lines taxes, stamping fees, investment expenses, legal and advisory expenses, court costs, taxes, assessments, license fees, membership fees, governmental fines and penalties, reinsurance premiums and costs (including reinsurance brokerage fees), audit fees, guaranty fund assessments, and all other costs necessary for the proper and efficient operation of PSE. Additionally, PSRM will procure, at the expense of PSE, directors and officers liability insurance coverages for PSRM and the members of the MAC. PSE shall monitor the quality of the services provided by PSRM at a minimum, annually as defined in the Powers of the MAC.
5. **Records: Right to Audit:** PSRM will keep records for the express purpose of recording the nature and details of the management services and financial transactions undertaken for PSE pursuant to this Attorney-in-Fact Agreement. All books and records maintained by PSRM pertaining to the management services performed by PSRM as Attorney-in Fact for the members to PSE pursuant to this Agreement are owned by PSE. These books and records will be maintained by PSRM in a fiduciary capacity for PSE. PSE, and any regulatory authority having jurisdiction over PSE, will have the right to examine and audit, at the offices of PSRM, at all reasonable times, all books and records of PSE that pertain to the management services performed by PSRM as Attorney-in-Fact for the members to PSE, 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 PSE or PSRM has any rights or obligations under this Agreement.
6. **Members Advisory Committee Grievance Procedure:** After PSE has been in operation for one year, the senior management of PSRM will meet on a quarterly basis with the Members' Advisory Committee to discuss any issues of concern made known by the members of PSE to the MAC. By the next quarterly meeting, if not sooner, the senior management of PSRM will provide the MAC with a written response to any issues of concern presented at the prior meeting. At or before the next meeting, the MAC shall advise the senior management of PSRM if the actions it took are reasonably addressing the issues of concern as originally presented. If a majority of the members of the MAC are not reasonably satisfied with the results of the actions undertaken, PSRM and the MAC will jointly, or separately if need be, present the issues of concern to the Arizona Department of Insurance and Financial Institutions for its guidance as to whether PSRM 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 PSE and PSRM, 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 Members Advisory Committee:** PSE, through the Members Advisory Committee, may terminate this Agreement at any time if the Arizona Department of Insurance and Financial Institutions or a court of competent jurisdiction has determined by a final order that an act or event has occurred that constitutes a material breach of this Agreement or that would allow the Arizona Department of Insurance and Financial Institutions to (i) permanently revoke the license of PSE or (ii) place PSE 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 PSE, one arbitrator will be chosen by PSRM 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 PSE and PSRM 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

PURE SPECIALTY EXCHANGE

Attorney-in-Fact Agreement

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 Arizona unless otherwise agreed by the parties in writing.

- b. Notwithstanding any dispute or difference of opinion arising under this Agreement, PSE and PSRM must fulfill any obligations under the reciprocal insurance contracts and reinsurance agreements.

9. Indemnification by PSE:

- a. PSE will indemnify, defend and hold harmless PSRM and each member, officer, employee and agent thereof (each, a "PSRM 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 a PSRM Indemnified Party as a result of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative relating to or arising out of the services provided by PSRM 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 PSRM Indemnified Party.

PSRM will indemnify, defend and hold harmless PSE and each member, officer, and agent thereof (each, a "PSE 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 a PSE Indemnified Party as a result of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative relating to or arising out of the services provided by PSRM hereunder, to the extent the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted gross negligence or willful misconduct on the part of PSRM.

- b. PSE will pay expenses incurred by a PSRM Indemnified Party in defending any action or proceeding referred to in this Section 9 in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such PSRM Indemnified Party to repay such amount if it shall ultimately be determined that such PSRM Indemnified Party is not entitled to be indemnified by PSE.
- c. As soon as practicable after receipt by any PSRM Indemnified Party of notice of the commencement of any action, suit or proceeding specified in Section 9 (a) above, such PSRM Indemnified Party shall, if a claim with respect thereto may be made against PSE under this Section 9, notify PSE in writing of the commencement or the threat thereof; however, the omission to so notify PSE will not relieve PSE of any liability under this Section 9 unless PSE is prejudiced thereby or from any other liability which it may have to such PSRM Indemnified Party other than under this Section 9. With respect to any such action as to which such PSRM Indemnified Party notifies PSE of the commencement or threat thereof, PSE may participate therein at its own expense and, except as otherwise provided herein to the extent that PSE desires, jointly with any other indemnifying party similarly notified, be entitled to assume the defense thereof, with counsel selected by PSE to the reasonable satisfaction of such PSRM Indemnified Party. After notice from PSE of its election to assume the defense, PSE will not be liable to such PSRM Indemnified Party under this Section 9 for any legal or other expenses subsequently incurred by such PSRM Indemnified Party in connection with the defense thereof otherwise than as provided herein. The PSRM Indemnified Party 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 PSE of PSE's assumption of the defense thereof will be at the expense of such PSRM Indemnified Party unless: (i) the employment of counsel by such PSRM Indemnified Party shall have been authorized by PSE, (ii) such PSRM Indemnified Party shall have reasonably concluded that there may be a conflict of interest between PSE and such PSRM Indemnified Party in the conduct of the defense of such proceeding, (iii) PSE did not in fact employ counsel to assume the defense. If indemnification under this Section 9 is not paid or made by PSE, or on its behalf, within 90 days after a written claim for indemnification has been received by PSE, such PSRM Indemnified Party may, at any time thereafter, bring suit against PSE 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 PSRM Indemnified Party in any court of competent jurisdiction. Expenses reasonably incurred by such PSRM Indemnified Party in connection with successfully establishing the right to indemnification or advancement of expenses, in whole or in part; shall also be paid by PSE.

10. Receivership: If PSE is placed in receivership or seized by the Director (the "Director") of the Arizona Department of Insurance and Financial Institutions under the Arizona Receivership Act:

- a. All of the rights of PSE under this agreement extend to the receiver or Director; and,
- b. All books and records will immediately be made available to the receiver or the Director, and shall be turned over to the receiver or Director immediately upon the receiver or Director's request;
- c. PSRM has no automatic right to terminate the agreement if PSE is placed in receivership pursuant to the Arizona Receivership Act; and
- d. PSRM will continue to maintain any systems, programs, or other infrastructure notwithstanding a seizure by the Director under the Arizona Receivership Act, and will make them available to the receiver, for so long as the affiliate continues to receive timely payment for services rendered.

11. Miscellaneous:

- a. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.
- b. Any changes to this document must be approved in advance and in writing by the Arizona Department of Insurance and Financial Institutions.

PURE SPECIALTY EXCHANGE

Attorney-in-Fact Agreement

- c. PSRM is authorized, at its expense, to contract with others for the performance of the management services it has agreed to provide to PSE under this Agreement, provided, however, that PSRM will remain responsible to PSE for the proper and timely performance of all management services set forth in this Agreement.
- d. Each of the parties hereto shall have and may exercise at any time, and from time to time the right to offset any balance or balances due from one party to the other under the terms of 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.

Signed by:

By: Rob Brestowski

Name: Robert Brestowski

PURE Specialty Risk Management LLC

Its: Secretary

DocuSigned by:

By: Mark Galante

Name: Mark Galante

PURE Specialty Exchange

Its: Chair, Members Advisory Committee