

SUBSCRIBER AGREEMENT AND POWER OF ATTORNEY

The Subscriber (“Subscriber”) executing this Subscriber Agreement and Power of Attorney (this “Agreement”) hereby subscribes to KEMPER RECIPROCAL (“Exchange”), an Illinois domestic reciprocal insurer, and agrees, together with all other subscribers of Exchange, and with KEMPER MANAGEMENT LLC, with its principal office located at 200 East Randolph Street, Suite 3300, Chicago IL 60601, as follows:

1. Power of Attorney

Subscriber hereby appoints Kemper Management LLC as Attorney-in-Fact (“AIF”) for Exchange with the express authority and permission to effectuate and conduct the lawful business and affairs of Exchange. This authority includes the ability to exercise discretion in carrying out all customary functions of a reciprocal insurance company, either directly by the AIF itself or through the engagement of affiliated or unaffiliated service providers, including, but not limited to, the following:

- a. Issue, exchange, renew, non-renew, rescind, void or cancel or modify insurance contracts;
- b. Adjust, settle, defend, litigate, bring, prosecute, appeal and pay claims and losses under insurance contracts issued by Exchange;
- c. Collect premiums, invest and reinvest funds;
- d. Accept service of process on behalf of Exchange and to appoint the chief insurance regulator of each state in which Exchange conducts an insurance business (and their respective successors in office), to the extent required by applicable law, as the true and lawful attorney of Exchange for the service of process in actions upon insurance contracts issued by Exchange in the relevant state; and
- e. Perform any other act relating to the operation of the Exchange, as set forth in any management agreement or other contractual arrangement between Exchange and AIF.

2. Exchange

Subscriber hereby offers and agrees to exchange insurance contracts with other subscribers of Exchange through AIF. Such insurance contracts will be non-assessable pursuant to the laws of the State of Illinois or any other state in which Exchange conducts an insurance business.

3. Subscribership

Subscriber shall become a subscriber of Exchange contemporaneous with the commencement of the policy period under any insurance contract issued to Subscriber by Exchange. The signature, electronic or otherwise, of Subscriber below binds all persons covered under such insurance contracts to the terms of this Agreement. This Agreement applies to any insurance contract Subscriber may purchase in the future from Exchange, including any successor, renewal, amendment, replacement, or modified insurance contract.

4. Subscriber Advisory Committee

Contemporaneous with the establishment of Exchange, there shall be established a Subscriber Advisory Committee (the “SAC”). The SAC and the scope of its authority shall be governed by those certain Subscriber Advisory Committee Governance Rules (the “SAC Governance Rules”). The SAC Governance Rules are maintained by, and a copy of the SAC Governing Rules can be obtained from, the AIF. Subscriber understands and agrees that AIF shall have the sole and absolute power and authority to conduct the business and affairs of Exchange, unless expressly reserved to the SAC in the SAC Governance Rules. Subscriber understands and agrees that he/she has no right to participate on the SAC or have any type of advisory role to Exchange, unless specifically appointed to the SAC in accordance with the SAC Governance Rules.

5. Exchange Contributed Surplus from Subscriber

- a. **Surplus Contribution.** During the first five (5) full years of Subscriber’s continuous Exchange membership, Exchange shall have the authority to raise contributed surplus funds from Subscriber by requiring payment of surplus contributions (“Surplus Contribution”) in addition to and distinct from collecting insurance premiums. Exchange may reflect the amount and nature of such contributions on its books and records as contributed surplus, in accordance with Illinois law. The Surplus Contribution will be determined based on the total premium written and may be up to 5% of total annual policy premium. Surplus Contributions will be paid through Subscriber’s policy billing statement and identified as a separate line item included in the total amount due.

- b. **Purpose of Surplus Contributions.** Subscriber understands and agrees that the amounts paid as Surplus Contributions will be credited as policyholder surplus for the benefit and protection of all Exchange subscribers and that Surplus Contributions made to Exchange are not premiums for insurance.

6. Exchange Contributed Surplus from Non-Subscribers.

Exchange shall have the authority to raise contributed surplus funds from any person that is not an Exchange subscriber and, in consideration therefor, to issue subordinated surplus instruments and correspondingly reflect the amount and nature of such contributions on its books and records as contributed surplus, in accordance with Illinois law. The specific terms of any such fundings shall be determined by AIF.

7. Subscriber Award Accounts. In the sole discretion of the AIF, Subscriber Award Accounts may be established for eligible subscribers, and in years in which Exchange achieves operating profit and surplus growth after accounting for paid losses, loss reserves and operating expenses, including the Management Fee (each a “Qualifying Year”), subscribers may be eligible for credits to such Subscriber Award Accounts.

- a. Eligible subscribers are subscribers that have maintained a policy in force for ten (10) consecutive years, without lapse; additional eligibility requirements may be established, within the sole discretion of the AIF.
- b. With respect to any Qualifying Year, the AIF, in its discretion, may credit Subscriber Award Accounts with a portion of the amount of Exchange’s growth in surplus for such Qualifying Year, such portion to be determined by the AIF, in consultation with the SAC. Any such credit will be made pro rata, to all eligible subscribers, based on their relative annual policy premium earned for such Qualifying Year, and will be subject to approval by the Illinois Department of Insurance. All amounts credited to Subscriber Award Accounts will be considered part of Exchange’s surplus, and AIF is authorized to use all such funds to pay Exchange’s obligations.
- c. Subscriber Award Accounts are notional accounts, and an Exchange subscriber who has a Subscriber Award Account balance shall have no right to receive or otherwise use any amount allocated to its Subscriber Award Account, until such time as it is no longer a subscriber and has terminated its relationship with Exchange.
- d. Subscriber acknowledges and agrees that Exchange is under no obligation to establish or allocate any amounts to Subscriber Award Accounts, notwithstanding the occurrence of a Qualifying Year. The AIF, in consultation with the SAC, may (i) consider the financial condition of Exchange, applicable regulatory requirements and the concurrent declaration and payment of subscriber dividends (see Section 8) in establishing or allocating amounts to Subscriber Award Accounts or distributing amounts therefrom, and (ii) establish rules and procedures relating thereto, all in accordance with Illinois law.

8. Subscriber Dividends.

Subscribers may become eligible to receive dividends with respect to Qualifying Years; provided, however, that no dividend or refund shall be declared or paid at any time except out of earned, as distinguished from contributed, surplus and otherwise in accordance with Illinois law. The declaration and payment of any potential dividend will be determined by AIF, in its sole discretion, and Subscriber acknowledges and agrees that Exchange is under no obligation to declare a dividend, notwithstanding the occurrence of a Qualifying Year. Any such dividend will be distributed on a pro rata basis to all subscribers who have a policy in force on the declaration date, based on their relative annual policy premium earned for such Qualifying Year. The AIF, in consultation with the SAC, may establish rules and procedures relating to the declaration and payment of subscriber dividends and how such declaration and payment would be coordinated with any concurrent allocations to Subscriber Award Accounts. Furthermore, any dividend or refund would be subject to the approval of the Illinois Department of Insurance.

9. Disposition of Assets Upon Liquidation.

Subscriber understands and agrees that upon the liquidation of Exchange, the assets of Exchange remaining after (1) discharge of its indebtedness and policy obligations, including return of unearned premium, and (2) the return of any contributions to Exchange surplus by any person other than its subscribers, whether pursuant to subordinated surplus instruments or otherwise, shall be distributed to its subscribers according to such reasonable formula and definition of participating subscriber set forth in its Plan of Liquidation, filed with and approved by the Illinois Director of Insurance or his/her designee.

10. Compensation of Attorney-in-Fact

In consideration of the services AIF provides to Exchange, AIF shall be paid an amount agreed to in writing by AIF and Exchange following the receipt of any required regulatory approvals. Such amount shall be determined by the AIF and may be up to thirty percent (30%) of Exchange’s gross written and assumed premiums, as determined from time to time in accordance with and as set forth in a management agreement between AIF and Exchange; such fee shall be the full consideration for all services to be provided by AIF under such management agreement (whether directly or through

service providers). All other costs or expenses associated with the operation of Exchange shall be borne by Exchange, separate and distinct from the fee paid to AIF pursuant to such management agreement.

11. Governing Law

This Agreement and all matters relating to its validity, interpretation, performance and enforcement shall be governed and construed in accordance with the laws of the State of Illinois (without regard to the conflict of laws principles thereof).

12. Amendments

This Agreement may be modified at any time by AIF, provided such amendment is approved by the SAC and the Illinois Department of Insurance. Any such amendments will apply to all subscribers immediately upon the effective date of the amendment as approved by the Illinois Department of Insurance. Each subscriber will receive notice of any such amendment at their next renewal or policy change following the effective date.

13. Term and Termination

This Agreement may be terminated at any time by Subscriber, Exchange or AIF, by terminating all policies of insurance issued to Subscriber by Exchange. Any such policy termination must be done in accordance with all policy provisions and applicable state law.

14. Relationship Between AIF and Exchange

Subscriber acknowledges and agrees that the organization, operation, and existence of Exchange fundamentally are based on AIF's position, without substitution, as the attorney-in-fact for Exchange, in accordance with and as contemplated by Article IV of the Illinois Insurance Code, and that AIF forms part of, and cannot be legally separated from Exchange. Notwithstanding the foregoing, nothing set forth herein shall be deemed to limit the fundamental right and ability of AIF and its controlling person(s) to pursue any fundamental organizational change or other transaction with respect to AIF or the Exchange, provided that any such transaction is conducted in accordance with applicable law.

15. Certain AIF and SAC/Officer Protection

Subscriber agrees that neither AIF nor any member of the SAC (nor any owner, officer, employee or agent, as applicable, of the AIF or any SAC member) nor any officer of Exchange shall be liable to Exchange or any of its Subscribers for any act or omission relating to its relationship with Exchange, unless a court of competent jurisdiction has ruled (in a final, non-appealable judgment binding upon the parties in any such action) that such person failed to act in good faith and in a manner that such person believed to be in the best interest of Exchange. Subscriber further agrees that Exchange shall hold such persons (and any of their respective owners, officers, employees or agents, as applicable) harmless from, and indemnify each of them for, any losses or expenses resulting from any actual or threatened action, suit or proceeding related to the Exchange, to the maximum extent provided under applicable law. Expenses incurred in defending any civil or criminal action, suit or proceeding may be paid by Exchange in advance of the final disposition of such action, suit or proceeding, as authorized by the SAC in the specific case, 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 Exchange.

Subscriber Signature: _____ Date: _____

Subscriber Name [same name as on policy] _____