

HUGO INSURANCE EXCHANGE

To buy an insurance policy from Hugo Insurance Exchange, you first need to become a member. The following is a short summary to help you better understand what it means to be a member and some of the benefits members receive. The full membership agreement, called a “Subscriber’s Agreement and Power of Attorney” (the “Agreement”) is below the signature page. After reviewing the Agreement, you may sign the Agreement, which is required before your insurance policy can go into effect.

SUMMARY

The Hugo Insurance Exchange (the “Exchange”) is a reciprocal insurance exchange organized under the laws of Mississippi. The Exchange’s members (the “Subscribers”) exchange insurance contracts with each other and appoint a third party, known as an attorney-in-fact, to manage and administer the Exchange’s operations and affairs on their behalf.

The Exchange operates as an insurance exchange to provide insurance to its Subscribers through the Agreement. The Agreement sets out the terms of the relationship between the Exchange and its Subscribers and appoints Hugo Insurance Services LLC, a California limited liability company (“AIF”), as the Exchange’s attorney-in-fact.

By indicating your acceptance below, you agree to become a Subscriber of the Exchange, to appoint AIF as your attorney-in-fact for the Exchange, and to be legally bound by the terms and conditions of the Agreement. Everyone who buys insurance from the Exchange is required to accept the Agreement and be a Subscriber.

Read the Agreement carefully. This summary highlights several features of the Exchange and the Agreement. In the event of conflict between the Agreement and this summary, the Agreement controls in all respects.

Benefits of a Reciprocal Exchange

As a reciprocal exchange, the Exchange has several features that benefit Subscribers:

Non-Assessable Policies: The Exchange issues only non-assessable policies. This means that your liability is limited to the insurance premiums and surplus contributions charged for your policies, even if losses at the Exchange exceed premiums.

Member Rewards: Because you are both a policyholder and a Subscriber, you may receive future benefits selected by the Exchange. These benefits may include services designed to assist you as a member. The Exchange also may implement a profit-sharing mechanism to return a portion of its profits to Subscribers, either through dividends on your policy or through Subscriber Savings Accounts (“SSAs”), a notional account that may be set aside on the Exchange’s records in your name and payable when you cease to be a Subscriber. The selection and implementation of future benefits or profit-sharing mechanisms, if any, are solely at the Exchange’s discretion. Any such benefits or profit-sharing mechanisms will comply with all applicable laws, including those governing the Exchange as an insurance company and those protecting your privacy rights. Any such distributions will be subject to the Exchange’s performance, its ability to pay claims, and its overall financial strength.

Subscribers' Advisory Committee ("SAC"): Your interests as a Subscriber of the Exchange will be represented by the SAC, an advisory body that serves as the voice of the membership and is an important part of the Exchange's governance. You can learn more about the powers, duties and composition of the SAC by reviewing the Bylaws, available at <https://static.withhugo.com/pdfs/hex/v1/bylaws-hex.pdf>.

Surplus Contributions: As a condition of membership, you will make small surplus contributions to the Exchange whenever you purchase coverage. These contributions will be collected along with your policy premium. While the surplus contribution requirement seems like an extra expense, it can benefit subscribers in the long run by lowering the Exchange's cost of raising funds to support its insurance business. As an added bonus, the Exchange, in its sole discretion, may reduce, or even eliminate, surplus contributions for Subscribers who continue their insurance with the Exchange for successive renewal periods.

Indicate below that you agree to accept terms and conditions of the Agreement and to be legally bound by it. Your insurance policy cannot become effective without your acceptance.

SUBSCRIBER'S AGREEMENT AND POWER OF ATTORNEY **(the "Agreement")**

Each person who has agreed to be a subscriber (each a "**Subscriber**" and, as the context requires, "**you**" or "**your**" or "**yours**") to the Hugo Insurance Exchange (the "**Exchange**") agrees, together with all other Subscribers to the Exchange, and with Hugo Insurance Services LLC ("**AIF**"), a California limited liability company, as follows:

1. Exchange of Insurance Contracts.

Each Subscriber agrees to exchange contracts of insurance with the other Subscribers of the Exchange. Your status as a Subscriber begins when your first insurance policy commences and ends when your last policy expires without renewal or is otherwise terminated by you or the Exchange. You have no interest in the Exchange beyond your status as a policyholder under an in-force insurance policy issued by the Exchange and the rights specifically set out in this Agreement. This Agreement applies only to policies issued by the Exchange and does not apply to any policies issued by or purchased through any other entity.

2. Non-Assessable Policies.

The Exchange shall exchange reciprocal or interinsurance contracts on a non-assessable basis for cash premiums only and this Agreement waives all contingent premiums. You shall have no financial obligation to the Exchange, other Subscribers, or the Exchange's creditors, beyond the amounts charged to you for insurance premiums and your required surplus contributions.

3. Power of Attorney.

The Subscriber hereby appoints Hugo Insurance Services LLC, a California limited liability company, as its attorney-in-fact ("**AIF**") with the express authority and permission to effectuate and conduct the lawful business affairs of the Exchange. Issuance of an insurance policy to you by the Exchange constitutes AIF's acceptance of your appointment. You agree that AIF shall have and retain as its property: (1) all facilities, supplies, equipment, and intellectual property provided by AIF or developed by AIF in the course of performing attorney-in-fact services; and (2) all rights to exchange reciprocal insurance contracts in the name of the Exchange or otherwise among the Subscribers of the Exchange.

This power of attorney and authority includes the ability to carry out all customary functions of a reciprocal insurance exchange, including without limitation the following responsibilities:

- a. Establish and enforce the terms of this Agreement and all rates, forms and other requirements necessary to exchange reciprocal insurance contracts on a non-assessable basis (each a "**Policy**" and collectively, "**Policies**");
- b. Receive applications;
- c. Underwrite and issue Policies;
- d. Administer and issue renewals, non-renewals, cancellations, endorsements, and other modifications to Policies consistent with applicable law;
- e. Maintain Policy records;
- f. Make contributory database submissions with respect to Lexis and other third parties;
- g. Prepare and file required reports;
- h. Collect, maintain and account for premiums and other funds belonging to the Exchange;

- i. Open accounts or borrow money in the name of and invest funds belonging to the Exchange;
- j. Monitor the Exchange's compliance with applicable laws;
- k. Prepare advertising and promotional materials;
- l. Recruit and oversee insurance producers;
- m. Establish and administer the compensation of insurance producers and other business sources;
- n. Receive proofs of loss and investigate and pay claims under Policies, directly or indirectly through third-party service providers;
- o. Bring suit on behalf of and defend claims against the Exchange whether or not related to Policies;
- p. Accept service of process on behalf of the Exchange in actions against the Exchange;
- q. Establish and monitor loss reserves;
- r. Place assumed and ceded reinsurance;
- s. At AIF's sole discretion, pay dividends to Subscribers and establish and administer Subscriber Savings Accounts;
- t. Participate in the Subscribers' Advisory Committee; and
- u. All other actions necessary and proper to effectuate the foregoing and to manage the business of the Exchange.

4. Compensation of the Attorney-in-Fact.

In consideration for the services provided to the Exchange, AIF will be compensated, in an amount that may be revised or modified at any time, subject to the prior written approval of the Mississippi Insurance Department. The compensation amount is as follows, which has been approved by the Mississippi Department of Insurance (the "**Mississippi Department**"):

Up to 20% of Earned Premium.

AIF may voluntarily reduce the attorney-in-fact fees below the full amount set out above without any prejudice to AIF's right to increase such attorney-in-fact fees up to the full amount in the future up to the amount set forth above. The amount charged following any reduction or subsequent increase will be disclosed to you in writing and will apply prospectively from the date AIF reduces or increases the amount charged. In addition, you agree you will not challenge attorney-in-fact fees charged or collected by AIF upon any legal or equitable ground in any legal or administrative proceeding so long as the amount of such fees is at or below the maximum percentages provided in this Agreement.

The Exchange will retain losses under Policies and the following expenses: loss adjustment expenses, investment expenses, legal and advisory expenses, commissions to agents and brokers, brand development and management, court costs, taxes, assessments, license fees, membership fees, governmental fines and penalties, reinsurance premiums and costs, audit fees, guaranty fund assessments, and all other costs necessary for the proper and efficient operation of the Exchange as set forth in the Attorney-in-Fact Agreement with the Exchange, dated May 30, 2024, as amended from time to time (the "**AIF Agreement**"). You may review the AIF Agreement by visiting <https://static.withhugo.com/pdfs/hex/v1/attorney-in-fact.pdf>.

5. **Subscribers' Advisory Committee.**

The Exchange and AIF have established the Subscribers' Advisory Committee ("**SAC**") to exercise all rights reserved to Subscribers and to advise AIF on the Exchange's operation to such extent as may be necessary to assure conformity with the Subscriber's Agreement and Power of Attorney. The duties and powers of the SAC are set forth in the Bylaws, available for review at <https://static.withhugo.com/pdfs/hex/v1/bylaws-hex.pdf>. You understand and agree that the powers of the SAC are limited to only those enumerated in the Bylaws.

Members of the SAC are elected by Subscribers in accordance with the Bylaws. You are not entitled to participate in the management of the Exchange unless you are a member of the SAC and then only to the extent set out in the Bylaws.

To the extent permitted by law, you agree to release each and every member of the SAC from any liability that may arise out of, and hold them harmless from, such Subscriber's participation on the SAC. This release and hold harmless does not apply to acts or omissions that are determined by a court to be the direct result of willful misconduct or gross negligence.

6. **Surplus Contributions.**

In addition to premiums due under reciprocal insurance contracts, you agree to pay a contribution to the Exchange's surplus ("**Surplus Contribution**") for the benefit and protection of all Subscribers. Your Surplus Contribution will become part of the undivided surplus of the Exchange and will be available to meet the Exchange's obligations to any creditors of the Exchange. Your Surplus Contribution will be returned to you only in limited circumstances, as set forth herein.

The Surplus Contribution is payable to the Exchange on or prior to the initial effective date of your insurance coverage and within thirty (30) calendar days of the effective date of all endorsements to your insurance policy that require an additional premium. Surplus Contributions will be paid as a percentage of the fixed portion of your total annual policy premium for policies issued to you. Each Surplus Contribution will be paid through your premium billing statement and identified as a separate line item included in the total amount due. The initial percentage will be ten percent (10%).

AIF may increase the amount and manner of payment of Surplus Contributions. AIF will notify Subscribers in advance of any changes. No increase will be retroactive. Any additional Surplus Contributions required from you will apply prospectively at the next renewal of your policy or any endorsement to your policy that requires an additional premium. In addition, if AIF determines, in its sole discretion, that circumstances warrant, it may reduce, or eliminate, Surplus Contributions for Subscribers who have continuously maintained insurance with the Exchange for a designated period of time.

If AIF or you cancel your policy before it has expired, AIF will return any Surplus Contributions applicable to the cancelled policy term, without interest, pro-rated based on the fraction of the policy term that has elapsed and subject to the restrictions set forth in Section 8 below. All other Surplus Contributions, including those made by you for previous policy terms, will be retained by the Exchange. Surplus Contributions do not accrue interest or give you any right to dividends.

7. **Dividends and Other Distributions.**

A portion of the Exchange's profits may be allocated to its Subscribers and paid as dividends or distributions from Subscriber Savings Accounts ("**SSAs**"). SSAs are notional accounts that might be established by AIF for each active Subscriber. AIF is hereby authorized to determine, in its

sole discretion, the amount of profits, if any, available for payment to Subscribers as dividends or to be allocated to SSAs. AIF shall have sole authority to declare dividends or establish rules and procedures for distributions from SSAs. Any dividends or credits to an SSA will be made pro rata, based on each Subscriber's earned premium. Any and all accumulated profits available for distribution as dividends or allocated to an SSA remain part of the Exchange's surplus and are available to pay the Exchange's obligations until paid. Amounts paid as dividends or allocated to an SSA are based on the Exchange's overall results and not on any individual Subscriber's loss history or policies purchased through any other entity. SSAs do not accrue interest or give you any right to dividends or particular allocations or distributions.

Dividends and payments from an SSA may further be subject to the approval of the Mississippi Department (or successor regulatory agency) and the balance of an SSA, if any, could be forfeited entirely if the Exchange is unable to pay superior creditors if it ceases operations.

8. Limitations on Surplus Distributions.

AIF may reduce, suspend, or delay payment of a dividend, SSA balance, or return of a Surplus Contribution if required to do so by the Mississippi Department, if AIF determines payment poses a risk to the Exchange's financial condition, or if the Exchange otherwise faces a hazardous financial condition.

Any payments reduced, suspended, or delayed pursuant to this Section will be paid promptly after the conditions requiring such reduction, suspension, or delay have been eliminated. If this Section is found to conflict with other terms of this Agreement, this Section supersedes all other terms and conditions of this Agreement.

9. Rejection of Coverage.

You understand and agree that the Exchange has an obligation to its Subscribers to maintain strict eligibility and underwriting requirements and, in furtherance of such obligation, has the right to reject any application for insurance that does not meet its underwriting standards. If such a rejection of coverage occurs after receipt of the Surplus Contribution by the Exchange, the Surplus Contribution associated with that policy will be returned to you, without payment of interest. The Exchange also has the right to nonrenew any policy it has issued, subject to its underwriting rules and standards, policy provisions, and applicable law. If such a nonrenewal occurs, any Surplus Contribution, including those made by you for previous policy terms, will be retained by the Exchange. An existing Subscriber applying for additional coverage or new lines of insurance is not guaranteed acceptance for the additional coverage or new line of insurance.

10. Hold Harmless and Indemnification.

You agree AIF shall not be liable to the Exchange or any of its Subscribers for any act or omission except for loss that is determined by a court to be the direct result of the willful misconduct or gross negligence of AIF or any of its officers, directors, employees, agents, or advisors. You also agree the Exchange will hold AIF harmless from and indemnify AIF for any loss resulting from any actual or alleged breach of any duty it owes or is claimed to owe the Exchange or its Subscribers in its capacity as attorney-in-fact, except for breaches that are determined by a court to be the direct result of the willful misconduct or gross negligence of AIF or any of its officers, directors, employees, agents, or advisors.

You further agree that no owner, officer, director, or employee of AIF and no officer, director, or employee of the Exchange (each, a "**Covered Person**") will be liable to the Exchange or its Subscribers for, and agree to hold each of them harmless from, any actual or alleged breach of

any duty they owe or are claimed to owe to the Exchange or its Subscribers in their respective capacities as a Covered Person, except for any breach that is determined by a court to be the direct result of the willful misconduct or gross negligence of such Covered Person. Covered Persons shall be entitled to indemnification and advancement of expenses from the Exchange subject to the same exceptions set forth above. You understand that the purpose of this provision is to give such persons protection to the maximum extent permitted by law.

11. Termination.

This Agreement and Power of Attorney may be terminated at any time, by you or AIF, by terminating all the Exchange insurance policies issued to you, subject to the automatic continuation of any provisions of this Agreement as are necessary to conclusively settle any claims that arose while you were an active Subscriber, and further subject to any applicable policy provisions and Mississippi law.

12. Amendment.

This Agreement may not be amended except upon the joint agreement of AIF and the SAC. Any such amendment or modification shall be automatically binding on you with respect to any new insurance policy or renewal of an expiring policy issued after the date of such amendment or modification. No such amendment or modification shall be effective retroactively, or as to any insurance policy issued prior thereto.

13. Miscellaneous.

When a reference is made in this Agreement to a section or subsection, such reference shall be to a section or subsection of this Agreement unless otherwise indicated. Any capitalized terms used in any attachment to this Agreement but not otherwise defined therein shall have the meanings as defined in this Agreement. You may obtain an electronic copy of this Agreement at any time by visiting <https://static.withhugo.com/pdfs/hex/v1/subscribers-agreement.pdf>. This Agreement and all matters relating to its validity, interpretation, performance and enforcement shall be governed and construed in accordance with Mississippi laws (without regard to the conflict of law principles thereof).

14. Binding Agreement.

You acknowledge that you have received and had the opportunity to review this Agreement, the Bylaws, and the AIF Agreement prior to agreeing to be bound by this Agreement. This Agreement will come into force upon submission of your acceptance and signature hereto.

You agree that this Agreement, including the power of attorney set forth herein, will apply to all Policies for which you have applied or will apply with the Exchange and all renewals of such Policies. By accepting this Agreement, you confirm you understand and agree that the terms and conditions of this Agreement, the Bylaws, and the AIF Agreement are binding on you and your respective personal representatives, administrators, successors, and assigns.