



RISK ADMINISTRATION SERVICES, INC.

Dakota Truck Underwriters

FAQ

What is Dakota Truck Underwriters (DTU) and who is RAS? DTU is a reciprocal insurance company owned by the policyholders known as Subscribers. DTU operates through Risk Administration Services, Inc. (RAS) which serves as the attorney-in-fact as appointed by the Subscribers under the terms of the Subscriber Agreement.

What is the Subscriber Agreement? The Subscriber Agreement is a one-page agreement entered into by a Subscriber upon binding their policy with DTU. Through the act of payment of policy premium, the Subscriber appoints RAS as its attorney-in-fact, sets the general authority for RAS over the reciprocal, provides RAS the authority to exchange insurance contracts among other Subscribers and incorporates the DTU Operating Guidelines.

How is DTU governed? Annually, the Subscribers elect members to the Advisory Committee which is responsible for overseeing the finances of the reciprocal and ensuring DTU is managed in accordance with the Subscriber Agreement and Operating Guidelines. The Operating Guidelines are the operational rules for DTU and RAS and provide guidance for the day-to-day management of DTU as well as outline the general supervisory powers of the Advisory Committee of DTU.

What is a Subscriber Savings Account (SSA)? DTU is a reciprocal insurance company and its equity is mostly comprised of its Subscribers' surplus contributions and savings allocations. A Subscriber Savings Account (SSA) is a fund held in a Subscriber's name and comprised of any contributions to DTU made by the Subscriber and periodic allocations by DTU to the Subscriber's SSA based on both the overall financial performance of DTU and the Subscriber's loss experience. These SSAs are the primary basis for the financial strength of DTU. SSAs also satisfy legal and regulatory requirements and support current and future operations.

Can I be assessed for losses of DTU? No. DTU is a non-assessable reciprocal insurance company. While a Subscriber's SSA is subject to offset for losses that exceed a 65% loss ratio (45% for large deductible accounts), a Subscriber cannot be assessed for losses that exceed its SSA balance.

How do I participate in DTU income? DTU earns income from its underwriting performance and earnings on its invested assets. Annually, RAS and the Advisory Committee determine SSA allocations and/or distributions based on a Subscriber's level of contribution to overall profitability of DTU.

What if I am an active Subscriber and did not receive any allocations? SSA allocations are made to all active Subscribers which are either in the top 25% of all profitable Subscribers or have an SSA balance on which investment income accrues. If you are an active Subscriber which does not meet either of these qualifications, then no allocation has been made to your SSA.

Are cash distributions paid to active Subscribers and do I get one? DTU's philosophy is to reward long-term profitable Subscribers and make cash distributions to those Subscribers which contribute most to the profitability of DTU while balancing current and future capital needs. Each year, DTU, with the approval of the Advisory Committee and the South Dakota Division of Insurance, reviews and if necessary updates its SSA Policy. Distributions are based on tenure, profitability and the level of SSA balance relative to average annual premium. DTU endeavors to match the timing of any distributions to profitable Subscribers with the timing of the SSA allocation process, which is generally in February of each year.

Can I make withdrawals from my SSA? Subscribers cannot make withdrawals from their SSA, however, the Advisory Committee meets annually to determine how much of the allocated profits will be distributed in cash to Subscribers based on DTU's financial performance along with current and future capital needs. Priority is given to Subscribers with a higher ratio of SSA balance relative to average annual premium. Distributions are also subject to the approval of the State of South Dakota Division of Insurance.

What happens to my SSA balance if I terminate my insurance? If you have contributed initial surplus, your initial surplus contribution is eligible for return in the year following termination. Any remaining SSA balance may be held for up to five (5) years following the year-end of the year of termination pending final determination of your loss ratio with final payouts not to extend longer than ten (10) years from the date of termination. During the 5-year holding period, DTU may make allocations to terminated Subscribers' SSA balances. Subscribers terminating January 1, 2016 and after must also meet a five-year tenure requirement with DTU to receive any allocated SSA funds post-termination. SSA funds are also subject to offset as described in #5 herein and subject to any other Subscriber obligations to DTU.

Are earnings on my SSA balance taxable? If a Subscriber uses insurance premiums as a business expense deduction on their Federal Income Tax Return, an SSA allocation could be treated as a reduction in insurance expenses. Subscribers should consult a tax advisor regarding their particular situation.

How do I know what is in my SSA? Shortly after the close of the year, Subscribers receive an annual SSA statement that details annual activity and SSA balance.

All distributions of surplus and savings are subject to the terms and provisions of the Subscriber Agreement, DTU Operating Guidelines and the approval of the South Dakota Division of Insurance.

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