

# Understanding Reciprocal Insurance



## A Unique Approach

There is little to distinguish one company's workers' compensation policy from another, as the insurance products are virtually identical. What sets Dakota Truck Underwriters (DTU) apart is the value it imparts, not only through the services it offers, but also in the benefits of the reciprocal arrangement. Customers have the opportunity to partner with the insurance company – making them eligible for interest income and profit sharing.

### What is a Reciprocal?

*A reciprocal is a form of insurance organization in which members, known as Subscribers, agree to an exchange of contracts of insurance through a common attorney-in-fact to spread the risk associated with those contracts amongst themselves.*

DTU is a reciprocal insurance company, and the policyholders are called "Subscribers." RAS is the Attorney-in-fact for DTU, and as such, performs all administrative functions on its behalf.

When a customer buys an insurance policy from DTU, they not only become a Subscriber, they also become an owner of their insurance company. DTU provides the opportunity for its Subscribers to grow their assets and net worth through the sharing of the investment income and profits of DTU.

### Your Investment Grows with DTU

A Subscriber Savings Account (SSA) is established in your name. Profit sharing is allocated to your SSA based on numerous factors, including the overall performance of the reciprocal, your premium size, loss experience, and tenure. In addition, income earned on DTU's investments is passed on to you based on the size of your SSA and tenure with DTU.

As your SSA grows, it can become a source of cash distributions, lowering your insurance costs.

## Benefits of Membership

As a Subscriber, you earn the profits that a stockholder in a traditional insurance company would. These shared profits, along with an increasing asset, result in a lower net cost of insurance over time. Your premium dollar paid to DTU, compared to a similarly priced competitor, goes further.

Subscribers:

- Need no initial surplus contribution;
- Receive a non-assessable policy;
- Have ownership benefits;
- Receive the benefit of RAS's commitment to the highest level of service in underwriting, claims handling, and loss control;
- Are eligible for allocations based on their SSA balance; and
- Receive allocations based on level of profitability.

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# How DTU Works



## RAS

Serves as the Attorney-in-Fact and performs all administrative functions.

## Manage SSA Fund

RAS and the DTU Advisory Committee meet annually to determine how much of the profits may be allocated to Subscribers and determine the level of cash distributions to be made. DTU The Advisory Committee and the SD Division of Insurance approve Allocable Net Income



## DTU Advisory Committee

DTU is governed by the DTU Advisory Committee which members are elected annually by the Subscribers.



## Subscriber



### Allocation Process

#### Potential Cash Distributions Based on:

- ✓ Tenure of Subscriber
- ✓ Subscriber Profitability
- ✓ Level of SSA Balance to the Average Premium Size

The Top 25% get profit allocations.  
All Subscribers with SSA balance receive investment income allocations.



Premiums



Pay Expenses and Claims

### Operational Results

#### Underwriting Profit

(Policy Premium minus Losses and Expenses)

+

Investment Income

=

Total Income

#### Individual Subscriber Savings Account (SSA)

SSA grows as a result of:  
1) Investment Income and  
2) Profit Sharing

