



## What is a Reciprocal Exchange?

Reciprocal insurance exchanges are a form of insurance in which individuals or buying groups exchange insurance contracts and spread the risks associated with those contracts. Policyholders of a reciprocal insurance exchange are referred to as subscribers.

## Who Are Reciprocal Insurance Exchanges Owned By?

Reciprocal insurance exchanges are owned by their policyholders.

## How a Reciprocal Insurance Exchange Works?

A reciprocal insurance exchange is formed by bringing together two separate entities - a reciprocal inter-insurance exchange and an attorney-in-fact (AIF). The reciprocal inter-insurance exchange is used to allow subscribers to exchange policies through the attorney-in-fact, which allows them to spread risk.

The attorney-in-fact is authorized to perform business transactions on behalf of another entity, which, in this case, is the reciprocal insurance company. The AIF runs the day-to-day operations of the reciprocal and is provided with a power of attorney status by the reciprocal.

## What is an Attorney-in-Fact (AIF)?

An attorney-in-fact, is a person who is authorized to act on behalf of another person to perform business or other official transactions.



## What are the Advantages of a Reciprocal Exchange?

Reciprocal insurance exchanges can and often operate with the goal of giving their policyholders affordable coverage. In comparison to standard insurance choices, premiums may be lower because policyholders share risk and costs.

To assist policyholders in minimizing risks and minimizing losses, the exchange may offer risk management services such as loss control programs, safety training, and risk assessment.

In the event that the reciprocal insurance exchange generates a surplus, it may return earnings to policyholders in the form of dividends or premium credits. Because of this potential organization structure, reciprocal insurance exchanges usually place more emphasis on upholding long-term stability and sustainability.

## What is the Claims Process with Reciprocal Insurance?

Policyholders submit claims and give evidence to the exchange as part of the reciprocal insurance claim process. A claims adjuster evaluates the validity and scope of the claim, examines the coverage, and calculates the loss value. The settlement sum is determined by the reciprocal insurance exchange, which also pays the policyholder the appropriate amount. The procedure comes to an end after the claim is settled.