



SECURITY AMERICA
RISK RETENTION GROUP, INC.

SUBSCRIPTION AGREEMENT

This Subscription Agreement by and between the undersigned Subscriber and Security America Risk Retention Group, Inc. ("Security America"), evidences the agreement of the Subscriber to purchase, subject to the terms and conditions set forth below, _____ Class C Shares in Security America, a risk retention group authorized under the Federal Liability Risk Retention Act of 1986 and organized and existing under the laws of Vermont. The shares are offered pursuant to the Business Plan and Disclosure Document of Security America dated September 19, 2003 (the "Business Plan"), as amended. In addition, Security America has provided updated audited financial data as of September 17, 2003 (if available).

1. Subject to the terms and conditions hereof:

(a) **The undersigned Subscriber hereby subscribes for and purchases _____ shares of the Class C Common Stock of Security America (the "Shares").**

Class B Shareholders: (b) As payment for the Shares, the Subscriber agrees to pay Security America annually an amount equal to seven percent (7%) of its premium contributions; provided, however, the minimum annual contribution shall be not less than Fifty Dollars (\$50.00).

Class C Shareholders: (b) As payment for the Shares, the Subscriber agrees to pay Security America annually an amount equal to seven percent (7%) of its premium contributions.

The subscription price is payable to Security America upon acceptance of this subscription, in the form of cash.

2. Application for and Maintenance of Insurance Coverage with Security America. The Subscriber has already delivered, or is simultaneously herewith delivering, to Security America an application to be an insured under a policy of liability insurance to be issued by Security America. The Subscriber acknowledges and understands that its eligibility to purchase the shares hereunder subscribed for is contingent upon being

accepted for such coverage, and that failure to maintain such coverage will result in the repurchase of such shares by Security America.

3. Acknowledgments of Subscriber. The Subscriber hereby acknowledges and agrees that:

(a) A copy of Security America's most recent audited financials have been attached (if available). Subscriber has also been provided the pro-forma financial statements which were included in Security America's application for approval submitted to the Vermont Department of Banking, Insurance, Securities and Health Care Administration. The Subscriber has carefully reviewed either the audited financial reports of Security America or the pro-forma financial statements described herein;

(b) The Subscriber has received a copy of the Business Plan, as supplemented or amended to the date hereof, and is familiar with the terms thereof and has carefully reviewed the section entitled "Risk Factors" contained therein and understands the nature of the risk and financial hazards involved in the purchase of the shares, including the possibility that the Subscriber could lose its entire investment;

(c) The Subscriber has such knowledge and experience in financial, insurance and business matters that it is capable of evaluating the merits and risks of purchasing the Shares in Security America;

(d) The Shares have not been and will not be registered under the Securities Act or any state securities laws and transfer of the shares will be restricted pursuant to the By-laws of Security America;

(e) There is no public or other market for the Shares and the Subscriber will be unable to resell its Shares;

(f) Neither the Securities and Exchange Commission, any other regulatory authority, commission or agency of the government of the United States nor any state or political subdivision thereof has passed on the accuracy or adequacy of the Business Plan or endorsed the merits of the offering of the Shares;

(g) The Subscriber has conducted inquiries and investigations of the tax consequences resulting from the purchase of the Shares and relies solely on the Shareholder's own inquiries and analysis, and not on Security America's analysis, in determining whether to purchase the Shares and participate in Security America as an insured;

(h) The financial information contained in Security America's pro forma financial statements attached to the Business Plan was prepared based on certain assumptions that may or may not prove to be true. This information has been furnished to the Subscriber solely for illustrative purposes and is not intended to predict the results that are expected to be achieved by Security America. The Subscriber has independently inquired and investigated data available to it, including the actual audited financial reports or the pro-forma financials of Security America as of September 17, 2003, and has relied on such inquiries and investigations, not on Security America's, in determining whether to purchase the Shares and participate in Security America as an insured; and

(i) The Subscriber acknowledges that the shares of Security America's Stock are divided into several separate classes, and that the respective classes have different rights and privileges. Subscriber acknowledges that it has reviewed these provisions, and had the opportunity to seek further information and independent advice on these differing rights and privileges.

4. Representations and Warranties of Security America. Security America hereby represents and warrants that it is a corporation duly organized and in good standing under the laws of the State of Vermont, and is duly licensed as a risk retention group under the insurance laws of the State of Vermont. Security America has the authority to offer the Shares and has or will have the authority to issue policies in the state where the Subscriber is located.

5. Representations and Warranties of Subscriber. In order to induce Security America to accept this subscription, the Subscriber hereby represents and warrants as follows:

(a) The Subscriber is acquiring the Shares for its own account, primarily for insurance purposes, and not with a view to resell such Shares or to receive any distribution or dividend therefrom;

(b) The Subscriber will not assign, sell, hypothecate or otherwise transfer its Shares unless or until approved by the Board of Directors of Security America, in its sole discretion;

(c) The Subscriber has the full power and authority to execute, deliver and perform this Subscription Agreement and to subscribe for and purchase the Shares hereunder. The purchase of the Shares and the execution and delivery of this Subscription Agreement have each been authorized by all necessary action on behalf of

the Subscriber, and this Subscription Agreement is a valid and binding agreement of the Subscriber enforceable in accordance with its terms. The execution and delivery of this Subscription Agreement and the consummation of the transactions contemplated herein will not conflict with, or result in, any violation of or default pursuant to, any statutory, regulatory or constitutional provision or any provision of any governing instrument applicable to the Subscriber or any agreement or other instrument to which the Subscriber is a party, or any court order or judgment or consent decree to which the Subscriber is subject; and

(d) There is no action, suit or proceeding pending against, or, to the knowledge of the Subscriber, threatened against or affecting, the Subscriber before any court or arbitrator or any government body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Subscriber.

6. Restrictions on Transferability of the Shares. The Subscriber understands that it must bear and be able to bear the economic risk of loss of the entire purchase price of the Shares, and the purchase of the shares is unsuitable for investors desiring or requiring investment liquidity or any return on the investment. The Shares may not be sold, assigned, pledged, hypothecated, encumbered or otherwise transferred unless or until approved by the Board of Directors of Security America, in its sole discretion.

7. Verification of Information; Indemnification. The Subscriber understands that: (i) the offering of the Shares is being made in reliance upon the truthfulness and accuracy of the representations and warranties made by the Subscriber herein; (ii) Security America will rely on such representations and warranties in accepting the subscription of the Subscriber; and (iii) Security America and its representatives, agents and counsel may take such steps as they consider reasonable to verify the accuracy and truthfulness of such representations and warranties in advance of accepting or rejecting this subscription. The Subscriber agrees to provide such further instruments, documents or information as Security America or its counsel may reasonably request in connection with such verification or other aspects of the offering of the Shares to the Subscriber. The Subscriber further agrees to indemnify and hold harmless Security America, each of its respective directors, officers, employees and agents and any person controlling any such person, from any and all damages, losses, costs and expenses (including attorney's fees and expenses) which they may incur by reason of the Subscriber's failure to fulfill any of the terms and conditions of this Subscription Agreement or by reason of a breach of the Subscriber's representations and warranties made herein.

8. Revocability. The Subscriber hereby acknowledges that Security America will act in reliance on the commitment to purchase made herein and, accordingly, the commitment to purchase by the Subscriber made herein may not be canceled, rescinded or otherwise revoked by the Subscriber. Notwithstanding the foregoing, Security America reserves the right to reject this Subscription Agreement at any time or for any reason on or prior to acceptance by Security America or to otherwise terminate the offering of the Shares to the Subscriber as provided herein.

9. Termination. This Subscription Agreement (except for the provisions of Section 7 "Verification of Information; Indemnification") will terminate upon receipt by the Subscriber of written notice from Security America rejecting the Subscriber's subscription. Upon termination, any funds received from the Subscriber, will be returned to the Subscriber.

10. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Subscription Agreement shall be in writing and will be deemed to have been given when delivered personally, telexed and answer back received, telecopied with receipt confirmed or five (5) days after having been mailed by certified or registered mail, return receipt requested and postage prepaid, to the recipient. Such notices, demands and other communications will be sent to the Subscriber at the address indicated on the Signature Page to this Subscription Agreement and to Security America at the address indicated below:

Security America Risk Retention Group, Inc.
c/o Marsh Management Services Inc.
100 Bank Street, Suite 610
Burlington, Vermont 05401

All notices or other communications from Security America will be made to the Subscriber of record and mailed to the mailing address of record unless other arrangements are communicated to Security America by the Subscriber.

11. Miscellaneous.

(a) This Subscription Agreement may be amended only by a written instrument executed by both parties hereto. No waiver of any provision of this Subscription Agreement shall be valid unless such waiver is in writing and signed by the party to be charged therewith, and the waiver of a breach of any provision of this Subscription Agreement shall not be deemed to constitute a waiver of any other or subsequent breach of the same or any other provision hereof.

(b) All representations, warranties and covenants contained herein or made in writing by the Subscriber in connection with the subscription for the shares will survive the termination of this Subscription Agreement, regardless of any investigation made by Security America or on its behalf.

(c) Except as otherwise expressly provided herein, all covenants and agreements contained in this Subscription Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether or not so expressed.

(d) Should any portion, term, condition or provision of this Subscription Agreement be determined by a Court of competent jurisdiction to be invalid under any applicable law or otherwise rendered unenforceable, the validity of the remaining conditions and provisions shall not be affected thereby.

(e) The descriptive headings of this Subscription Agreement are inserted for convenience only and do not constitute a part of this Subscription Agreement.

(f) Notwithstanding any principles of conflict of laws, this Subscription Agreement shall be construed and enforced in accordance with the laws of Vermont.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Subscription Agreement on this ____ day of _____, 2004.

Attest: _____

_____ By: _____

Name/Title: _____

Tax Identification Number _____

Business Address: _____

Telecopier No.: _____