

## MEMBER AGREEMENT

**THIS MEMBER AGREEMENT** (this "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (this "Member Agreement") by and among the VML Insurance Programs (the "Pool"), a group self-insurance pool licensed by the Bureau of Insurance (the "Bureau") as successor to the merger of the Virginia Municipal Group Self-Insurance Association (the "Association") with and into the Virginia Municipal Self-Insurance Association d/b/a the Virginia Municipal Liability Pool (the "Liability Pool"), the Virginia Municipal League ("VML"), a local association of city, town and county governments, and the undersigned Virginia political subdivision, or agency thereof, which upon admission will become, a member (individually, a "Member" and collectively "Members") of the Pool.

### WITNESSETH

**WHEREAS**, the Pool is a group self-insurance pool formed pursuant to Chapter 27 of Title 15. 2 of the Code of Virginia (the "Act") for the purpose of providing risk management services and insurance coverage for its Members pursuant to Virginia Code § 15.2-2703(A); and

**WHEREAS**, the Members' Supervisory Board of the Pool (the "Board") is authorized to direct the affairs of the Pool and to act on the admissibility of applicants for membership into the Pool, and has appointed VML to provide administrative services to the Pool, whereby VML, under the Board's supervision, manages certain financial and administrative affairs of the Pool, including the review, consideration and approval of Member applications in the Pool, subject to ratification by the Board; and

**WHEREAS**, the Members of the Pool have agreed to provide for joint and cooperative action to self-insure and to pool their separate risks and liabilities pursuant to the terms of the Act; and

**WHEREAS**, each Member of the Pool is required to execute an agreement whereby the Member will covenant and agree to pay contributions and assessments, based upon appropriate classifications and rates, into a designated fund out of which expenses and lawful and proper claims and awards of the Pool are to be paid, and further, that there will be no disbursements out of this fund by way of dividends or distribution of accumulated reserves to the respective Members, except at the discretion of the Board as provided herein; and

**WHEREAS**, each Member of the Pool has elected to become a party to this Agreement, to comply with the conditions set forth herein and establish the Pool as a group self-insurance pool pursuant to the provisions of the Act and regulations promulgated thereunder, and to execute such other instruments and take such other action as may be required to form and continue such pool.

**NOW, THEREFORE**, for and in consideration of the mutual covenants, promises and obligations herein contained, the parties hereto covenant and agree as follows:

1. **Membership.** Each Member hereby agrees that the Board may admit as Members of the Pool only acceptable political subdivisions in the Commonwealth of Virginia or agencies thereof as defined in the Act. Subject to the provisions of the Act and rules relating to the approval of any Members, the Board shall be responsible to determine whether or not an applicant may be admitted to Membership; provided, however, the Board may authorize VML to provide administrative review and consideration of applicants based on criteria set forth by the Board, so long as ratification of the decision remains vested with the Board.
2. **Membership Termination By the Pool.** Each Member agrees that a Member may, in the sole discretion of the Board, be terminated from membership in the Pool at any time after thirty (30) days notice in writing has been given to such Member and to the Virginia State Corporation Commission (the "Commission"). In addition, any Member may be terminated at any date upon ten (10) days written notice to such Member and the Commission for non-payment of contributions or assessments. No liability except that available to the Member under an appropriate supplemental extended reporting period shall accrue to the Pool or to the remaining Members for any liability under the Pool of any terminated Member arising subsequent to the date of termination specified in said notice and such terminated Member shall be separately and solely responsible for any liability arising thereafter.
3. **Membership Withdrawal.** A Member may withdraw from the Pool upon thirty (30) days advance written notice to the Board. After the Member has been in the Pool for three (3) consecutive years (which calculation of time shall include years in which the Member was a Member of the Liability Pool or the Association prior to their merger into the Pool), the Member may withdraw upon thirty (30) days written notice and shall be entitled to share in any surplus assets of the fund; upon such termination however, the Member will not receive any refunds of paid contributions or assessments.
4. **Administrator.** Each Member hereby authorizes the Board to designate and appoint VML (or such substitute or replacement administrator as may be appointed by the Board) as the administrator, empowered to accept service on behalf of the Pool and authorized to act for and bind the Pool and its Members in all transactions relating to or arising out of the operation of the Pool. The administrator shall receive such fee for its services and shall be agreed upon by the Board. The Board, in its sole discretion, may at any time revise or revoke the powers of the administrator, and may select a substitute administrator.

The administrator is hereby appointed by each Member as agent for the Pool, to act directly or through a service contract with the service agent in its behalf and to execute all contracts and reports, waivers, agreements, and excess insurance or reinsurance contracts, to make or arrange for payment of claims, and all other things required or necessary, as covered by the terms of this Agreement and the rules and regulations as now provided or as hereafter promulgated by the Board or the Commission.

5. **Service Agent.** Each Member hereby authorizes the Board to designate and appoint VML (or such substitute or replacement as may be appointed by the board), as service agent for the Pool and its Members, individually and collectively, subject to its continued approval as a service agent by the Commission. The service agent shall calculate all annual contributions due from the members, pay all approved items of expense as directed by the Board, service claims under the Pool against Members, give a monthly account of all monies so handled, and undertake all other duties set forth in the agreement employing service agent. For handling the administrative and servicing functions of the Pool, the service agent shall receive such fee as shall be agreed upon by the Board which shall be in consideration of all services and expenses contracted for with the Pool which services or expenses may include counseling with the Board as to safety procedures, claims handling and investigations, and providing for reinsurance or excess insurance coverage. The service agent's books and records are to be open to inspection by the Board or its agents or designees at all reasonable times. The Board, in its sole discretion, may at any time select a substitute service agent.
6. **Deposit of Funds.** The Board or its designee shall deposit to the account of the Pool at any bank or banks designated by the Board, all contributions as when collected and all other funds received from or for the Pool, and said moneys shall be disbursed only as provided by (1) the rules, regulations, Bylaws, and the resolutions of the Board; (2) the agreements between the Board and the service agent; and (3) this Agreement.
7. **Investment of Funds.** The Board shall have the authority to invest the funds of the Pool as permitted by the Pool's Bylaws and the Commission's regulations.
8. **Bylaws, Rules and Regulations.** Each Member of the Pool agrees to abide by the rules and regulations of the Pool, and be subject to the Bylaws of the Pool, attached as Exhibit 1 and incorporated hereto, as may be amended from time to time. In the event of any such amendment to the rules, regulations or Bylaws of the Pool, Members shall be notified promptly thereof.
9. **Coverage.** The Pool will provide loss protection to Members, which may be primary coverage and/or excess coverage as provided in the coverage forms, and as amended from time to time. In the event of any amendment, Members shall be notified thereof promptly.

The Pool's primary automobile liability coverage shall be limited to the minimum statutory amounts required for the type of vehicle covered for operation in the Commonwealth of Virginia. Such coverage shall also include uninsured and underinsured motorist coverage with the same limits and no more. Excess motor vehicle liability coverage shall be in excess of other valid or collectible insurance or qualified self-insurance, including the Pool's primary coverage; provided, however, that uninsured and underinsured motor vehicle coverage as defined in Virginia Code § 38.2 – 2206(A) shall not be offered, provided or made available under or with respect to such excess type coverage provided by the Pool. Each Member hereby rejects uninsured motorist coverage

and underinsured motorist coverage in amounts greater than the minimum liability coverage limits required by Virginia law.

The Pool may allow coverage, by endorsement, for additional insureds to the extent of any and all vicarious liability but not for independent negligent acts or omissions of the additional insureds.

10. **Reinsurance and Excess Insurance.** The Board is authorized, in order to protect the Pool's assets and provide hedges against losses of members, to obtain and maintain specific and/or aggregate reinsurance and/or excess insurance in such amounts and with such retention as in its discretion are advisable, if available at cost and on terms deemed by the Board to be reasonable under the circumstances. The Board is also authorized and empowered to obtain and maintain other insurance, letters of credit or commitment for loans from insurance or financial institutions which in the judgment of the Board will furnish additional security and resources for payment of claims covered by the Pool in excess of the contributions made by members.
11. **Limit of Liability Except for Workers' Compensation.** The Members agree that for all lines of business other than workers' compensation coverage, for the payment of any claim against the Pool or the performance of any obligation of the Pool hereunder, resort shall be had solely to the assets and property of the Pool, and that no Member, officer or Board member of the Pool, or the administrator, service agent or their designees shall be liable therefor. The Members further agree that for all lines of business other than workers' compensation coverage, a Member of the Pool shall have no liability to the Pool, to other Members of the Pool, or to any claimant against the Pool itself or another Member of the Pool, except for (i) the payment of contributions under this Agreement, (ii) deductible amounts, (iii) assessments if approved or required, and (iv) the entry fee.
12. **Joint and Several Liability for Workers' Compensation.** For Members purchasing workers' compensation coverage, such Members agree to be jointly and severally liable for and with the other Members which also purchase workers' compensation coverage from the Pool. In addition to the rights the Pool may have under such agreements, in the event of failure of the Pool to enforce such rights after reasonable notice to the Pool, the Commission shall have the right independently to enforce the joint and several liability of its Members pursuant to Title 65.2 and Title 15.2, with respect to its employees.
13. **Payment of Claims.** All claims against Members, if approved by the service agent and as directed by the Board, shall be paid as follows:
  - (a) To the extent of (i) the Pool's funds for each Pool year, (ii) plus any other Pool assets and reserves available and authorized by the Board therefor, and (iii) subject to the applicable limits of coverage retained by the Pool for each Member;

- (b) Covered claims in excess of the Pool's funds for each Pool year shall be paid by the Pool, with recovery made from the reinsurance or excess insurance coverage, if any, in effect for the Pool;
  - (c) All deductible amounts and the amounts of any claims in excess of amounts available therefor under the provisions of paragraphs (a) and (b) of this section 13 shall be the sole obligation of, and shall be paid by, the Member liable therefor.
14. **Reimbursable Deductible.** The Pool may pay a Member's unpaid deductible amount if such amount is due and owing but remains unpaid. Each Member agrees that upon the payment of any deductible amount by the Pool for or on behalf of a Member, that such Member shall reimburse the Pool within twelve (12) days of written notice from the Pool. In the event reimbursement is not made within such time, interest thereon will accrue at the rate of the highest yield on the Pool's most recent investment at that time. If the Pool is required to seek reimbursement by suit or by other means in which the Pool incurs expenses to recover such reimbursement, the Member agrees to pay the Pool's reasonable attorneys' fees and all costs incurred in the suit.
15. **Contributions and Assessments.** Each Member agrees to execute necessary authorization forms permitting the Pool to obtain information and data required in determining the experience or other rating modification of such Member. Each Member agrees to pay contributions to the Pool as computed in accordance with a rating plan approved by the Board, as amended from time to time. Each Member agrees that the contributions shall be payable in full in advance of coverage unless the Board in its discretion determines otherwise. Such contributions are deemed earned by the Pool when received and are nonrefundable.

For all lines of coverage other than workers' compensation coverage, in the event of the Pool's deficit, the Board may adopt, following approval by the Commission, a plan it deems equitable for the elimination of such deficit. The plan may include, but is not limited to, the assessment of all Members in the proportion which the contribution of each Member bears to the total contributions of all Members in the year in which the such deficit occurs; provided, however, in no event shall such assessment exceed two (2) times the Member's annual contribution.

For Members purchasing workers' compensation insurance, such Members shall be jointly and severally liable to other Members as to workers' compensation coverage, and membership in the Pool shall not relieve the Member's obligations imposed by Title 65.2 as an employer to its employees. Additionally, a Member is obligated to pay any assessment which applies to a Pool year in which it was a Member. If the Pool is required to obtain the assessment by suit or by other means in which the Pool incurs expenses to recover such reimbursement, the Member agrees to pay the Pool's reasonable attorneys' fees and all costs incurred in the suit.

16. **Reporting of Claims or Losses.** All claims, accidents, incidents, or occurrences, regardless of which line of insurance such claim, accident, incident or occurrence may arise, with the potential of producing claims against a Member or the Pool, no matter how insignificant, shall be promptly reported to the service agent, with such information as may be requested by the service agent. All losses with potential of being reimbursed or paid by the Pool shall also be promptly reported in like manner to the service agent. The claims and loss reports shall be in accordance with the procedures established from time to time by the Board or its service agent.
17. **Defending Claims.** To the extent of a Member's limitation of liability set forth in the Member's and the funds described in paragraphs 14(a) and (b), the Pool shall defend in the name of and on behalf of each Member any suits or other proceedings which may at any time be instituted against such Member on account of claims within the purview of this Agreement and any such coverage agreement in force at the time of the loss, even though such allegations or demands are wholly groundless, false, or fraudulent, and to pay all costs reasonably incurred in any legal proceeding defended by the Pool, including all interest accruing against an entry of judgment, and all expenses incurred for investigation, claimant's attorney fees awarded by the court and negotiated settlements. If a personal appearance by an official or employee of a Member is necessary in any dispute, the expense of such appearance shall be paid by the Member. The Pool shall select, retain and supervise legal counsel on behalf of and at the expense of the Pool necessary for the prosecution or defense of any litigation. Each Member agrees to fully cooperate by supplying any information and assistance deemed by the Board, the service agent, or legal counsel, to be needed or helpful to defend such action. Upon notice in writing to the Board, the service agent and the Administrator, a Member may refuse to settle a claim involving its locality, but in such event the Member shall be obligated for any payment of sums above the proposed settlement amount if such payment, including attorneys' fees, is thereafter required.
18. **Subrogation.** Each Member agrees that in the event of the payment of any loss by the Pool under this Agreement, the Pool shall be subrogated to the extent of such payment to all the rights of the Member against any person or other entity legally responsible for damages for said loss, and in such event, the Member hereby agrees to render all reasonable assistance, other than pecuniary, to effect recovery.
19. **Inspection of Member's Facilities and Records.** The Board, the administrator, the service agent, and any of their agents, servants, employees or attorneys, shall be permitted at all reasonable times to inspect the Member's facilities and shall be permitted at all reasonable times and within five years after the final termination of the membership to examine the Member's book, vouchers, contracts, documents, budgets and records of any and every kind which relate to the purposes or powers of the Pool.
20. **Risk Management Services.** The Board or its designees may, but shall not be obligated to, provide risk management services to members, designed to assist Members in following a plan of managing risk of loss and loss control which may result in reduced

losses and costs. Each Member agrees to initiate and maintain a safety program and agrees to follow the general recommendations of the Board and the service agent as to managing risk of loss and loss control, with safety to property and the public receiving the highest priority. However, each Member shall remain solely and independently responsible for all decisions concerning its safety program and practices and may not rely upon evaluations and/or recommendations made by the Pool, the Board, the service agent, the administrator, or their representatives in making final decisions concerning its safety program and practices.

21. **Expenditure of Funds**. All funds received by the Board during any one fiscal year of the Pool shall be set aside and shall be used only for the following purposes:

- (a) Payment of a fee for the service agent;
- (b) Payment of a fee for the administrator;
- (c) Payment of lawful assessments, if any, as required by any lawful authority;
- (d) Payment of all bonds including errors and omission coverage for all officers and employees, and auditing expenses required of the Pool or its employees;
- (e) Payment of all legal fees, accounting fees, other professional fees relating to the Board or the Pool, or any other miscellaneous fees of the Board or the Pool;
- (f) Payment of the costs of any excess insurance policy, reinsurance treaty, loan commitment, letter of credit, or similar agreement entered into by the Pool as deemed advisable by the Board;
- (g) Payment of claims, including, without limitation, settlements, awards, judgments, legal fees, investigation costs, costs in all contested cases, appeal bonds, and establishment of reserves necessary to provide for all of the same;
- (h) Subject to the Commission's regulations following the conclusion of each annual operation of the Pool (each, an "annual period"), a distribution to the extent not otherwise prohibited by law to Members in such manner as the Board in its discretion shall deem appropriate and equitable, such discretion taking into consideration matters including, but not limited to, denying or limiting a distribution to Members which have withdrawn or have had their membership terminated, or making distribution only to Members with a loss ratio not in excess of a level designated by the Board, of any excess moneys remaining after payment of items (a) through (g) above, including, without limitation, payments of claims and establishment of outstanding reserves; provided, however, that no such distributions shall be made earlier than twelve (12) months following the end of each annual period; provided further, that undistributed excess funds from

previous annual periods may be distributed at any time if not required for reserves and if approved for distribution by the Board.

- (i) A percentage of any surplus, as approved by the Commission, may be allocated to a restricted surplus account to be used at the discretion of the Board subject to the approval of the Commission.
22. **Fiscal Year.** The Pool shall operate on a fiscal year calculated from 12:01 a.m. on the first day of July (July 1<sup>st</sup>) until midnight of the thirtieth day of June (June 30<sup>th</sup>) of the following calendar year.
23. **Renewal Applications.** A current Member's application for continuing membership, when approved in writing by the Board, shall upon payment of all sums due constitute a continuing contract for each successive fiscal period unless canceled by the Board, or unless the Member withdraws from membership by written notice as required by this Agreement.
24. **Financial Plan.** The Pool shall operate according to its financial plan, which financial plan shall be made available by the Pool for inspection at its office and filed with the Bureau, setting forth in general terms the following: (i) loss protection provided by the Pool, (ii) applicable deductible levels and the maximum liability which the Pool will retain; and (iii) the amount of reinsurance or excess insurance to be purchased by the Pool. Such Financial Plan may be amended or modified from time to time at the Board's sole discretion.
25. **Miscellaneous.** The Pool and each Member agree with each current and future Member, to be bound by all the terms and conditions of this Agreement. If any provision of this Agreement is held invalid, such invalidity shall not affect other provisions of this Agreement which can be given effect without the invalid provision, and to that end the provisions of this Agreement are severable.



**IN WITNESS WHEREOF**, the Members collectively have caused this Agreement to be signed on behalf of the Board by a duly authorized representative, and by the administrator, and on behalf of the Member by its chief executive officer or other officer designated by its governing body.

**VML INSURANCE PROGRAMS**

By \_\_\_\_\_

**VIRGINIA MUNICIPAL LEAGUE**

By \_\_\_\_\_

**LOCALITY**

By \_\_\_\_\_

Title: \_\_\_\_\_

Name of Locality: \_\_\_\_\_

**EXHIBIT 1**

**BYLAWS OF  
THE VML INSURANCE PROGRAMS**



May 14, 2010

Ms.. Lana Conner  
City Clerk  
City of Manassas Park  
One Park Center Court - City Hall  
Manassas Park, VA 20111

Re: VML Insurance Programs Merged Pool Paperwork

Dear Ms.. Conner:

As you know, the Virginia Municipal Liability Pool (VMLP) and the Virginia Municipal Group Self Insurance Association (VMGSIA) will merge effective July 1, 2010 into a single Pool called VML Insurance Programs. Enclosed are documents for your review and execution. First, is a new Member Agreement combining the prior VMLP and VMGSIA agreements into a single document. Second, are the new Bylaws that combine the old bylaws of VMLP & VMGSIA and, which are referenced as Exhibit 1 in the Member Agreement. Third, is a Cover Page to the Member Agreement, which members must execute each year they are in the program.

No changes have been made to the agreement except those necessary to effectuate the merger. All of the documents were prepared by our counsel, reviewed by counsel and staff for the Bureau of Insurance, which approved the documents for use. To continue your entity's participation in the pool for any line of coverage, the new Member Agreement must be executed and returned to us by June 30, 2010. Note that while a part of the Member Agreement, the enclosed Cover Page to the Member Agreement does not need to be executed at this time. As has been the case for many years, a Cover Page to the Member Agreement specific to your entity will be provided along with your renewal policy to include your selected coverages, deductibles and premiums and is to be executed and returned to us at that time.

July 1, 2010 marks our 30<sup>th</sup> anniversary of service to Virginia local governments. In that time we have worked diligently to become your trusted risk management partner. You can count on our continuing to work hard every day to maintain your trust and confidence that VML Insurance Programs is the best choice for Virginia local governments.

Please direct your executed paperwork to Cathie Moreland-Hasty, Director of Underwriting. Should you have any questions or comments, please feel free to call us anytime.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Steven Craig", with a stylized flourish at the end.

P. Steven Craig  
Managing Director

Enclosures



# VML INSURANCE PROGRAMS

## BYLAWS

(AMENDED AND RESTATED AS OF JULY 1, 2010)

### ARTICLE I – NAME AND PURPOSE

#### SECTION 1: NAME

The name of the entity is the **VML Insurance Programs (the “Pool”)**, a group self-insurance pool licensed by the Bureau of Insurance (the “Bureau”) and successor to the merger of Virginia Municipal Group Self-Insurance Association with and into the Virginia Municipal Self-Insurance Association d/b/a Virginia Municipal Liability Pool.

#### SECTION 2: PURPOSE

A. Group Self-Insurance Pool. The purpose of the Pool is to create and administer a group self-insurance pool pursuant to the authority and possessing the powers as provided in Chapter 27 of Title 15.2 of the Code of Virginia (the “Code”).

B. Insurance Coverages. A group self-insurance pool created and administered by the Pool may be formed by one or more political subdivisions of the Commonwealth of Virginia to provide for cooperative action in providing risk management services as well as insurance coverage for pool members and employees of pool members, for acts or omissions arising out of the scope of their employment, including any or all of the following:

1. Casualty insurance, including workers' compensation under Title 65.2 of the Code, employers' liability, general, professional and public officials liability coverage;
2. Property insurance, including marine insurance and inland marine and transportation insurance coverage;
3. Group life, accident and health coverages including hospital, medical, surgical and dental benefits to the employees of member political subdivisions and their dependents;
4. Automobile insurance, including motor vehicle liability insurance coverage and collision and security for motor vehicles owned or operated, as required by Title 46.2 of the Code, and protection against other liability and loss associated with the ownership and use of motor vehicles;
5. Surety and fidelity insurance coverage; and
6. Umbrella and excess insurance coverages.

## ARTICLE II - MEMBERS, MEETINGS, VOTING

### SECTION 1. MEMBERS

The members of the Pool shall be political subdivisions of the Commonwealth of Virginia as defined in Section 15.2-2701 of the Code, or agencies thereof, which (i) are members of a pool created in accordance with Section 2 of Article I, (ii) have executed a member agreement with the Pool (the "Member Agreement"), and (iii) have been approved as members pursuant to Article II, Section 2 hereof.

### SECTION 2. APPROVAL OF NEW MEMBERS

A. Approval Criteria. Upon receiving applications from prospective new members of the Pool, the Board (as defined in Article III) has the authority to review and consider, and either approve or reject such applications for membership in accordance with the terms of the Member Agreement, in accordance with any rules and regulations established by the Board for admission of new members to the Pool, in accordance with the laws of the Commonwealth of Virginia, and in accordance with the rules and regulations established by the Bureau and the State Corporation Commission (the "Commission").

B. Delegation of Authority to Approve. The Board may delegate administrative authority for the review and consideration of membership applications to the Administrator (as defined in Article IV). Any delegation of administrative authority to the Administrator shall be in writing setting forth the terms of the Administrator's authority. All decisions of the Administrator must be subject to final ratification by the Board.

### SECTION 3. TERMINATION OF MEMBERS

A. Failure to Make Payment. A member who fails to make timely contribution payments as required by the Member Agreement may be terminated, provided ten (10) days advance written notice has been given to the member and the Commission.

B. Termination Upon Notice. Upon thirty (30) days advance written notice to the member and the Commission, the Board may terminate the membership of any member who fails to comply with the Bylaws, Member Agreement, or other requirements the Pool, as established from time to time by the Board, or any member, which in the Board's sole discretion, fails to maintain underwriting standards for members or which acts in a manner detrimental to the fiscal soundness or effectiveness of the Pool.

### SECTION 4. WITHDRAWAL OF MEMBERS

A. General Right of Withdrawal. A member may withdraw from the Pool upon thirty (30) days advance written notice to the Board and as may be otherwise provided for by the Member Agreement.

B. Member Agreement Controls. Where the Member Agreement specifies conditions for withdrawal which may conflict with, or be in addition to the conditions imposed for withdrawal by these Bylaws, the Member Agreement shall control.

## SECTION 5. MEETINGS OF MEMBERS

The members shall meet annually on such date and at such time and place within the Commonwealth of Virginia as shall be designated by the Board. Special meetings of members may be held at such time and place within the Commonwealth of Virginia as shall be designated in the notice thereof upon call of the Board, the Chair of the Board, or by not less than ten (10) members.

## SECTION 6. NOTICE OF MEETINGS OF MEMBERS

A. Manner of Notice. Notice of the annual meeting and any special meeting of members shall be provided in writing to the member or the members' designated representative. Such notice of meeting may be made either by email or by delivering such notice to the United States Postal Service not less than ten (10) days prior to the meeting or by insertion in any official publication of the Virginia Municipal League which is mailed not less than ten (10) days prior to the date fixed for such meeting.

B. Waiver of Notice. No notice of the time and place of any regular or special meeting of the members shall be required if each member waives such notice in writing and such waiver is filed with the records of the meeting.

## SECTION 7. VOTING BY MEMBERS

A. Voting in Person. Each member shall each have one vote which, unless there be voting by proxy as provided in paragraph B. below, must be cast only in person by an elected or appointed official of the member duly authorized by the member's governing body for such purpose. Such voting representatives shall register with the secretary of the meeting or the Administrator prior to any members' meeting.

B. Voting by Proxy. The Board may, by resolution, direct that voting at a specified regular annual or special meeting of the members shall be conducted in person or by proxy. If a proxy vote is permitted, the following requirements must be satisfied:

(a) Proxies shall be in writing, signed by an authorized representative of a member, and valid only for the members' meeting next succeeding the date thereof and any continuance of such meeting;

(b) Proxies may (i) be revoked at any time prior to the meeting by a subsequent proxy or (ii) withdrawn in writing filed with the Administrator or the chair of a meeting prior to the meeting for which such proxy has been appointed;

(c) Proxies may be solicited for such meeting, including proxies for election of persons to the Board;

(d) If proxies are solicited, each solicitation shall be in writing, shall identify the party making such solicitation, and shall include a brief explanation of each item of business anticipated at the time of such solicitation to be voted upon at the meeting;

(e) In the event proxies are solicited for election of Board members, all nominees shall be identified by name, place of residence and official position with a member;

(f) Proxy solicitations may be mailed to Members in the manner provided for in Article II, Section 6.

C. Manner of Voting. Except when voting by proxy as authorized in paragraph B. above, voting at members' meeting shall be viva voce on all questions except in the event of a contest for election to the Board, which, unless determined otherwise by a vote of 75% of the members present, shall be by written ballot.

#### SECTION 8. CONDUCT OF MEETINGS OF MEMBERS

A. Conduct of Meetings. The Chair of the Board shall preside over all meetings of members, except that in the Chair's absence, the Vice-Chair or another member of the Board shall preside. The Secretary of the Board or the Secretary's designee shall act as secretary for all meetings. All meetings of members shall be conducted in accordance with the procedures set forth in Robert's Rules of Order Newly Revised, 10th ed. (Cambridge, Mass.: Perseus Publishing, 2000).

B. Annual Financial Report. At each annual meeting, the Chair or the Chair's designee shall report on the financial position of the Pool. The members shall elect Board members as provided in Article III of these Bylaws.

#### SECTION 9. QUORUM OF MEMBERS

Ten (10) or more members shall constitute a quorum of any meeting of members to consider and act upon any item of business. When a quorum is present at any meeting, a majority of the voting delegates present may decide any question brought before such meeting except as otherwise provided by law or these Bylaws.; provided, however, in the event a quorum is not present at an annual meeting of members, vacancies on the Board may be filled by majority vote of the members present.



## SECTION 10. ACTION OF MEMBERS WITHOUT MEETING

Any action to be taken by members may be taken without a meeting if all voting delegates entitled to vote on the matter consent to the action by a writing filed with the records of the meeting of members. Such consent shall be treated for all purposes as a vote at a meeting.

## ARTICLE III - MEMBERS' SUPERVISORY BOARD

### SECTION 1. POWERS OF THE BOARD

The Pool shall be managed by the Members' Supervisory Board (the "Board"), which may exercise all the powers of Pool except as otherwise provided by law or by these Bylaws.

### SECTION 2. COMPOSITION AND ELECTION OF BOARD MEMBERS

A. Number of Members. The Board shall be composed of not less than six (6) or more than nine (9) members, elected by a majority vote of the voting members present at the annual meeting. In the event that members fail to have an election, Board members currently serving whose terms have not at such time expired shall as soon as practical fill all vacancies on the Board. The number of Board members shall be determined by the Board at the Board meeting preceding the election. If the number of Board members will be different than the previous year's number of Board members, then the members shall be so notified at least two (2) weeks before the annual meeting.

B. Composition of Board. The Board shall be composed of governing officials or chief administrative appointed officials of political subdivisions which are members of the Pool.

C. Terms. Terms of Board members shall be staggered into three classes to provide that approximately one-third (1/3) of the Board shall be elected each year. In determining the number of Board members to be elected, all fractions shall be rounded to the nearest whole number, and in the event the number of Board members cannot be equally divided by three, the Board in its discretion shall determine the additional Board members to be allocated to the different terms for which there may be vacancies.

D. Eligibility for Re-election. A Board member shall not be eligible for re-election unless such member attended more than one-half (1/2) of the Board's meetings during such person's current term.

E. Nominations. Prior to each annual meeting, the Board or its designee shall solicit the names of candidates from the members to fill vacancies thereon and it shall make recommendations for election by the members. In the event the use of proxies shall be directed by the Board and are solicited for election of members of the Board, the notice to members of which the election will take place shall identify each candidate which will be nominated by the Board, the candidates' place of residence and official capacity with a member. Such solicitation and notice shall be in accordance with Section 6 of Article II. Nominations may also be made from the floor at elections by any member.

F. Ex-Officio Board Member. In addition to the Board members elected by the members, the Executive Director of the Virginia Municipal League shall serve as an ex-officio Board member with full power to vote on all matters which come before the Board, and whose presence shall be counted in the determination of a quorum.

G. Prohibited Membership. Except in the case of the Executive Director of the Virginia Municipal League, no Board member may be elected or continue to serve on the Board if such individual is, or becomes, an owner, officer or employee of a service agent for the Pool, as defined in the Commission's regulations,

### SECTION 3. **TERMINATION OF A BOARD MEMBER**

A. Resignation. A Board member may resign from membership on the Board at any time by written notice delivered to the Chair or Secretary of the Board. Such notice shall state the effective date of the resignation, and such resignation shall automatically take effect on such date unless a successor Board member is duly qualified and elected into office at an earlier date at the Board's discretion, in which event such resignation shall take effect immediately upon the election of the successor Board member.

B. Termination for Cause. The Board may terminate a member of the Board by a majority vote of the Board at any time such member no longer meets the requirement for eligibility set forth in Section 2 of this Article III. A member also may be terminated at the Board's discretion if the member fails to attend two consecutive Board meetings or fails to attend one-half (1/2) of the meetings held during the Pool's fiscal year.

C. Return of Books. Upon termination of Board membership for any reason, a former Board member shall immediately upon termination turn over and deliver to the Chair of the Board, the Chair's designee, or the Administrator, at the principal office of the Pool, any and all records, books, documents or other property in the possession or under the control of such Board member which belong to the Pool.

### SECTION 4. **VACANCIES ON THE BOARD**

Any vacancy occurring on the Board may be filled between annual meetings by the affirmative vote of a majority of the remaining Board members. In cases in which vacancies are filled by the remaining Board members, the Board may, but need not, solicit nominations from the members.

## SECTION 5. POWERS OF REMAINING BOARD MEMBERS

In case of death, resignation, ineligibility, incapacity, refusal or inability to act by any one or more of the Board members, the remaining Board members shall have all of the powers, rights, and interest of the Pool and shall be charged with the duties of the Pool; provided that in such case, no action may be taken unless it is decided upon by a majority of the remaining Board members.

## SECTION 6. OFFICERS OF THE BOARD

A. Chair and Vice-Chair. As soon as practical after the annual meeting of members and election of Board members, the Board shall elect from among its members a Chair and a Vice-Chair.

B. Secretary. The Executive Director of the Virginia Municipal League shall serve as the Secretary of the Board.

C. Terms of Officers. The term of such officers shall commence on the date of their election and continue for one year or until his or her successor has been elected or qualifies. In the event of failure or inability of any such officer to act, the Board may replace such person at any meeting.

## SECTION 7. BOARD MEETINGS, NOTICES, QUORUM

A. Regular and Special Board Meetings. Regular meetings of the Board shall be held at least quarterly at the principal office of the Pool or at such other location as may be acceptable to a majority of the Board. Special meetings of the Board shall be conducted on the call of the Chair, Vice-Chair, or any two other Board members, and may be held at any time and place without notice provided all Board members execute a waiver of notice to the special meeting or consent to the special meeting by participating in it.

B. Notices of Board Meetings. The Chair of the Board, or the Chair's designee, shall set the date, time and location of each meeting. Notices of Board meetings shall be either (i) mailed first class mail, postage prepaid, to each Board member not less than five (5) days prior to the date of such meeting, or (ii) delivered by telephone, telegram, telephone facsimile or e-mail appropriately transmitted not less than 24 hours prior to such meeting. Each such notice shall specify the date, time and location of such meeting and may specify the purpose thereof and any action proposed to be taken thereat. If such notice is by mail, telegram, telephone facsimile or e-mail, it shall be addressed to each Board member at his or her address as recorded in the office of the Pool.

C. Participation in Meetings. Meetings of the Board, or any committee or task force authorized by the Board, may be conducted by telephone or any means of communication by which all members participating may simultaneously hear each other during the meeting, or as may be otherwise provided for directors of stock corporations in § 13.1-684 of the Code. A

member participating in a meeting by this means is deemed to be present in person at the meeting.

D. Quorum and Minutes. A majority of the members of the Board shall constitute a quorum for all meetings. The Secretary or designee thereof shall keep minutes of all meetings, proceedings and acts of the Board, but such minutes need not be verbatim. Copies of all minutes of the Board shall be sent to all Board members as soon as practical following each meeting, but in every case prior to the following Board meeting.

**SECTION 8. VOTING BY THE BOARD**

All actions and decisions of the Board shall be by vote of a majority of the Board members attending any duly called regular or special meeting at which a quorum is present.

**SECTION 9. BOARD ACTION WITHOUT MEETING**

Any action which may be taken by the Board at a Board meeting may be taken by written unanimous consent pursuant to the requirements for directors of stock corporations as set forth in § 13.1-685 of the Code.

**SECTION 10. COMMITTEES OF THE BOARD**

A. Establishment of Committees. The Board may establish one or more committees and fix the number of members of the Board to serve on them. Each committee must have two (2) or more members, who serve at the pleasure of the Board.

B. Powers of Committees. Committees may have such powers and duties as may be designated by the Board, except that committees may not have the power to fill vacancies on the Board or any of its committees; may not adopt, amend or repeal the Bylaws; may not authorize or approve distribution of any of the funds of the Pool, except according to formula or method previously prescribed by the Board; and may not remove or appoint the Pool’s Administrator or Service Agent.

C. Committee Action. Creation or termination of, grant of authority to, or any action taken by a committee without Board authorization does not alone constitute compliance by a Board member with the responsibilities specified in the Commission’s regulations or as set forth in Section 11 of Article III below.

**SECTION 11. DUTIES AND RESPONSIBILITIES OF THE BOARD**

The Board shall have the authority, and shall be charged with the duty, of general supervision and operation of the Pool and shall conduct the business and activities of the Pool in accordance with the Member Agreement, Bylaws, applicable federal and state statutes, and the Commission’s regulations. The Board shall be responsible for accounting for and investing the funds of the Pool as permitted the Commission's regulations and in such a manner that allows Pool to fulfill its obligations for all liabilities and other needs in the future. In addition, the

income derived from the investment activity may be retained as Members' equity, used for the payment of liabilities, as a rate stabilization mechanism or distributed to members in the form of dividends, all at the discretion of the Board in accordance with law, regulations, Bylaws and the Member Agreement.

## SECTION 12. LIABILITY OF BOARD MEMBERS

A. Liability of Board Member. No Board member shall be liable for any action taken in good faith pursuant to these Bylaws, the Commission's regulations, the Member Agreement or otherwise in respect of the duties imposed thereby or by law or for an omission to act, except for gross negligence; nor shall any Board member be liable for any act or omission by another Board member or by any agent or employee.

B. Consultation and Reliance. The Board may employ and consult with legal counsel concerning any questions which may arise with reference to any matter pertaining to the Pool, and the Board may rely on the opinion of such counsel as authorization for the action taken. Board members acting in good faith in accordance with the opinion of counsel shall be protected conclusively based on their reliance on such an opinion.

## SECTION 13. INDEMNIFICATION OF BOARD MEMBERS

A. Board Member. A Board member shall be entitled to indemnification, and the Pool shall indemnify, a Board member to the fullest extent as provided for the indemnification of a director of a stock corporation in Article 10 of Chapter 9 of Title 13.1 of the Code.

B. Officer, Employee or Agent. An officer, employee or agent of the Pool may be indemnified by the Pool to the same extent as provided for officers, employees or agents of a corporation in said Article 10, Chapter 9 of Title 13.1.

C. Manner of Indemnification. Indemnification may be paid from any restricted reserve account established in accordance with 14 VAC 5-360-100 of the Commission's regulations. Notwithstanding the foregoing, in no event shall any such indemnification be paid from any loss fund of the Pool except to the extent that any portion of such loss fund may be available for distribution to the members as provided by the Member Agreement and the Commission's regulations.

D. Insurance. The Pool may purchase and maintain insurance on behalf of an individual who is or was a Board member, officer, employee or agent of the Pool against liability asserted against or incurred by him in that capacity or arising from the individual's status in that capacity to the same extent as may be afforded directors, officers, employees and agents of a corporation in said Article 10, Chapter 9, Title 13.1.

## ARTICLE IV - ADMINISTRATOR AND SERVICE AGENT

### SECTION 1. ADMINISTRATOR

A. Appointment of Administrator. The Board shall appoint an Administrator to administer the financial and administrative affairs of the Pool. The Administrator shall not be an owner, officer or employee of a Service Agent; provided, however, the Virginia Municipal League may serve in the dual role as both the Administrator and the Service Agent, at the Board's discretion, upon prior approval of the Commission.

B. Administrator's Bond. The Administrator shall furnish a fidelity bond with the Board as obligee in an amount determined by the Board. Evidence of such a bond shall be available to appropriate governmental agencies.

C. Administrator's Contract and Duties. The Board shall contract in writing on behalf of the Pool for the services of the Administrator appointed pursuant to this Section, on such terms, including compensation, and for such period as the Board in its discretion deems appropriate. The Administrator shall carry out the duties and responsibilities set forth in such contract, as required by the Board and Pool, and as specified in the Commission's regulations.

### SECTION 2. SERVICE AGENT

A. Approval. The Board, subject to the prior approval of the Commission, may appoint a Service Agent.

B. Service Agent's Bond. The Service Agent shall furnish a fidelity bond covering its employees with the Pool as obligee in an amount determined by the Board and sufficient to protect the Pool against loss of all monies placed in the claim's fund.

C. Service Agent's Contract and Duties. The Board shall contract in writing on behalf of the Pool for the services of the Service Agent upon such terms, including compensation, and for such period as the Board in its discretion deems appropriate. The Service Agent shall carry out the duties and responsibilities set forth in such contract and as required by the Board and Pool, and shall provide all services necessary to fulfill the members' obligations as set forth in the Commission's regulations. The Service Agent shall also handle all claims incurred during the contract period to their conclusion unless approval to transfer them is obtained from the Commission prior to such transfer.

## ARTICLE V – MISCELLANEOUS

### SECTION 1. EXECUTION OF DOCUMENTS

Any certificate, contract or other document signed by the Chair or Vice-Chair of the Board or a duly authorized officer of the Administrator of the Pool shall be evidence of the action of the Board and any such certificate or other instrument so signed shall be presumed to be authentic. All facts and matters stated therein shall conclusively be presumed to be true.

## SECTION 2. TERMINATION OF POOL

A. Termination by Agreement. The Pool may be terminated at any time upon the concurrence of all of the parties to the Member Agreement (the "Termination Date").

B. Distribution upon Termination. In the event of termination, the remaining funds available to the Pool, after providing for all outstanding obligations, shall be distributed to members participating at the Termination Date through a formula determined by the Board.

## SECTION 3. SITUS OF THE POOL

The situs of the Pool is the Commonwealth of Virginia. All questions pertaining to the validity, construction and administration of these Bylaws or the Pool shall be determined in accordance with the laws of the Commonwealth of Virginia.

## SECTION 4. AMENDMENTS

These Bylaws may be amended at any time by the concurrence of a majority of the Board. However, these Bylaws may not be amended to as to change the purpose of the Pool as set forth in Article I thereof or to permit the diversion or application of any of the funds of the Pool for any purpose other than those specified herein, in the Member Agreement, the statutes of Virginia or the Commission's regulations. The Board, upon adoption of an amendment to these Bylaws shall send a copy of any such amendment to all members of the Pool.

## SECTION 5. CONSTRUCTION

Whenever any words are used in these Bylaws in the masculine gender, they shall be construed as though they were also used in the feminine or neuter gender in all situations where they would so apply; whenever any words are used in these Bylaws in the singular form, they shall be construed as though they were also used in the plural form in all situations where they would so apply, and whenever any words were used in these Bylaws in the plural form, they shall be construed as though they were also in the singular form in all situations where they would so apply.





**VML Insurance Programs**  
**2010-11 Renewal Cover Page to Member Agreement**

**MEMBER#**

**I. Coverages and Limits of Liability**

<input type="checkbox"/>	Local Government Liability	
	Each Occurrence Limit	\$1,000,000
	Damages to Premises Rented to You	\$100,000
	Medical Expense Limit	\$10,000
<input type="checkbox"/>	No Fault Property Damage	\$10,000
<input type="checkbox"/>	Deductible	\$
<input type="checkbox"/>	Automobile Liability	\$1,000,000 Combined Single Limit
<input type="checkbox"/>	Deductible	\$
<input type="checkbox"/>	Uninsured Motorists	\$25,000/\$50,000/\$20,000
<input type="checkbox"/>	Automobile Medical Payments	\$10,000
<input type="checkbox"/>	No Fault Property Damage	
<input type="checkbox"/>	Automobile Physical Damage	
<input type="checkbox"/>	Comprehensive	Actual Cash Value per vehicle per schedule
<input type="checkbox"/>	Collision	Actual Cash Value per vehicle per schedule
<input type="checkbox"/>	Deductible/Comprehensive	
<input type="checkbox"/>	Deductible/Collision	
<input type="checkbox"/>	Excess Liability	If checked, subject to the Coverage Forms
<input type="checkbox"/>	Property Coverage	If checked, subject to the Coverage Forms
<input type="checkbox"/>	Boiler and Machinery Coverage	If checked, subject to the Coverage Forms
<input type="checkbox"/>	Fidelity/Crime/Surety Coverage	If checked, subject to the Coverage Forms
<input type="checkbox"/>	Workers' Compensation	Statutory
	Employers Liability	\$1,000,000/\$1,000,000/\$1,000,000

For the period of July 1, 2010 to July 1, 2011 Local Government Liability and Automobile Liability the Pool will retain \$1,000,000 per occurrence on each line of coverage. Above the \$1,000,000 layer, the Pool will retain a 10% quota share to the extent it is selected by the member and reflected here up to \$10,000,000. Automobile physical damage coverage is reinsured excess of \$150,000.

For the period of July 1, 2010 to July 1, 2011 Property Coverage reinsurance is purchased excess of a \$500,000 retention on a per occurrence basis. The windstorm occurrence retention is \$1,000,000. Boiler and Machinery Coverage is reinsured with a \$100,000 retention except for objects over 350 hp, up to a \$350,000 retention.

For the period July 1, 2010 to July 1, 2011, Fidelity, Crime and Surety Coverages are reinsured with a \$300,000 pool retention.

For the period of July 1, 2010 to July 1, 2011 Workers' Compensation and Employers Liability Coverage statutory reinsurance is purchased excess of a \$1,000,000 retention on a per occurrence basis. Additionally, the Pool will retain a 50% quota share of the \$1,000,000 excess of \$1,000,000 layer.

**II. Contribution**

\$ \_\_\_\_\_ due July 1, 2010. See Declaration Pages attached to Coverage Forms for contributions by individual coverage lines. The contribution was determined based on actuarially approved rates. In the event of a deficit in the Pool's fund, additional assessments may be imposed by the Members' Supervisory Board.

**III. Servicing Company**

Virginia Municipal League.

**IV. Liability of Members**

A LOCAL GOVERNMENT GROUP SELF-INSURANCE POOL IS NOT PROTECTED BY THE VIRGINIA INSURANCE GUARANTY ASSOCIATION AGAINST DEFAULT DUE TO INSOLVENCY. IN THE EVENT OF INSOLVENCY, MEMBERS AND PERSONS FILING CLAIMS AGAINST MEMBERS MAY BE UNABLE TO COLLECT ANY AMOUNT OWED TO THEM BY THE POOL, REGARDLESS OF THE TERMS OF THE MEMBER AGREEMENT. IN THE EVENT THE POOL IS IN A DEFICIT POSITION, A MEMBER MAY BE LIABLE FOR ANY AND ALL UNPAID CLAIMS AGAINST SUCH MEMBER.

WITH REGARDS TO WORKERS' COMPENSATION LIABILITY, EACH MEMBER AGREES TO ASSUME AND DISCHARGE, JOINTLY AND SEVERALLY, ANY LIABILITY UNDER THE VIRGINIA WORKERS' COMPENSATION ACT OF ANY AND ALL EMPLOYERS PARTY TO SUCH AGREEMENT AND WHICH PROVIDES THAT, IN ADDITION TO THE RIGHTS OF THE POOL, IN THE EVENT OF FAILURE OF THE POOL TO ENFORCE SUCH RIGHTS AFTER REASONABLE NOTICE TO THE POOL, THE COMMISSION SHALL HAVE THE RIGHT INDEPENDENTLY TO ENFORCE ON BEHALF OF THE POOL THE JOINT AND SEVERAL LIABILITY OF ITS MEMBERS UNDER THE VIRGINIA WORKERS' COMPENSATION ACT AND THE LIABILITY OF MEMBERS FOR ANY UNPAID CONTRIBUTIONS OR ASSESSMENTS.

**V. Rejection of Higher Uninsured Motorists Limits**

THE MEMBER HAS READ THE MEMBER AGREEMENT AND THIS RENEWAL COVER PAGE, WHICH IS EXPRESSLY MADE PART OF THE MEMBER AGREEMENT. THE MEMBER HAS ALSO READ THE BUSINESS AUTOMOBILE POLICY AND THE BUSINESS AUTOMOBILE COVERAGE / RENEAL DECLARATIONS. THE MEMBER ACKNOWLEDGES THAT THE BOARD OF VML INSURANCE PROGRAMS HAS NOT, BY RESOLUTION, OFFERED TO PROVIDE UNINSURED MOTORIST COVERAGE TO ITS MEMBERS. THE MEMBER UNDERSTANDS THAT IT IS POSSIBLE TO PURCHASE SUCH COVERAGE FROM OTHER COMMERCIAL CARRIERS, WITH COVERAGE LIMITS EQUAL TO THE POLICY'S LIABILITY COVERAGE LIMITS, UNLESS SUCH COVERAGE IS REJECTED BY THE MEMBER.

THE MEMBER UNDERSTANDS THAT IF ITS LIABILITY COVERAGE LIMIT EXCEEDS THE MINIMUM LIMIT SET BY VIRGINIA LAW, THE MEMBER MAY REJECT UNINSURED MOTORIST COVERAGE LIMITS EQUAL TO THE POLICY'S LIABILITY COVERAGE LIMIT, AND MAY SELECT LOWER LIMITS OF SUCH COVERAGE, PROVIDED THAT THE MEMBER MAY NOT SELECT UNINSURED MOTORIST COVERAGE IN AN AMOUNT LESS THAN THE MINIMUM LIABILITY COVERAGE LIMIT REQUIRED BY VIRGINIA LAW.

**THE MEMBER HEREBY REJECTS UNINSURED MOTORIST COVERAGE AND UNDERINSURED MOTORIST COVERAGE IN THE AMOUNT EQUAL TO THE MEMBER'S LIABILITY COVERAGE LIMIT STATED IN THIS RENEWAL COVER PAGE, IN THE BUSINESS AUTOMOBILE POLICY, AND IN THE BUSINESS AUTOMOBILE COVERAGE / RENEWAL DECLARATIONS. THE MEMBER HEREBY SELECTS THE LOWER LIMIT OF UNINSURED MOTORIST AND UNDERINSURED MOTORIST COVERAGE STATED IN THIS RENEWAL COVER PAGE, IN THE BUSINESS AUTOMOBILE POLICY, AND IN THE BUSINESS AUTOMOBILE COVERAGE / RENEWAL DECLARATIONS.**

\_\_\_\_\_  
(Signature of Authorized Member Representative)

\_\_\_\_\_  
(Date)