

**VLCT PROPERTY AND CASUALTY INTERMUNICIPAL FUND, INC.
A NON-PROFIT CORPORATION**

Bylaws

ARTICLE I. DEFINITIONS

Terms utilized in these Bylaws have the meanings set forth in this Article.

1.1 **Administrator.** Administrator shall mean the person(s) or entity appointed by the Directors pursuant to Section 5.7 of the Bylaws or any other power, to be responsible for the daily management, operation and activities of the Fund.

1.2 **Articles of Incorporation.** Articles of Incorporation shall mean the Articles of Incorporation of the VLCT Property and Casualty Intermunicipal Fund, Inc., as amended from time to time whether before or after the date of adoption of the Bylaws.

1.3 **Bylaws.** Bylaws shall mean the Bylaws of the VLCT Property and Casualty Intermunicipal Fund, Inc. as set forth herein and as amended from time to time whether before or after the date hereof.

1.4 **Code.** Code shall mean the Internal Revenue Code, as amended and regulations pertaining thereto or subsequent and corresponding federal law and regulations.

1.5 **Contribution.** Contribution shall consist, in part, of required payments to purchase excess or re-insurance, to establish a Loss Fund and any other necessary or prudent reserves, administration, and assessments made hereunder including assessments pursuant to Article VII hereof. Administration is deemed to include, but not be limited to, costs and expenses related to loss prevention, claims administration, data processing, reporting and other Fund expenses. In general and without limiting the foregoing, such Contribution shall be developed in accordance, to the extent pertinent hereunder, with rating guidelines adopted by the Directors.

1.6 **Fund.** Fund shall mean the VLCT Property and Casualty Intermunicipal Fund, Inc.

1.7 **Fund Year.** Fund Year shall mean a twelve (12) consecutive month period chosen from time to time by the Directors. The Fiscal Year of the Corporation shall commence January 1 unless otherwise determined by the Board of Directors. A Fund Year may be any period less than twelve (12) months if it is the first or last such year of the Fund or a year or years involving a change in the Fund Year.

1.8 **Governing Body.** Governing Body shall mean the legislative body, regardless of how denominated, of each Member.

1.9 **Insurer.** Insurer shall mean any insurance company providing any insurance contract (including excess or reinsurance contracts) to the Fund through the Directors or Administrator and providing any benefit, directly or indirectly, for any Member, including, but not limited to,

any such policy required by the Bylaws or that the Directors deem necessary or prudent for the proper operation of the Fund.

1.10 **Loss Fund.** Loss Fund shall mean those funds from Contributions of Members set aside to pay claims.

1.11 **Member.** Member shall mean any municipality as defined in 24 V.S.A. § 4941(2) or other entity which became a Member pursuant to Article II of the Bylaws and the membership of which has not been terminated or suspended pursuant to the Bylaws.

1.12 **Vermont League of Cities and Towns (VLCT).** Vermont League of Cities and Towns (VLCT) shall mean the Vermont League of Cities and Towns, an unincorporated association established under the laws of the State of Vermont and having a principal place of business in the City of Montpelier, Vermont.

1.13 **Official.** Official of a Member shall mean any publicly elected or appointed official or employee of the Member or entity eligible to become a Member.

1.14 **Rules.** Rules shall mean rules and/or policies adopted by the Directors pursuant to authority granted in the Articles of Incorporation, Bylaws or Participation Agreement, as amended from time to time whether before or after the date of adoption of the Bylaws.

1.15 **Risk Management Programs.** Risk Management Programs means a program which may include but shall not be limited to arrangements on behalf of Members or entities eligible to become Members to avoid or limit losses, injuries, illness, damage or destruction; to transfer the risk of or provide for reimbursement for losses in the areas of property, casualty and workers compensation and may include but shall not be limited to the following:

- (a) (blank)
- (b) purchase of insurance;
- (c) investigation and defense of claims;
- (d) payment of losses;
- (e) administration; and
- (f) any other activities of a similar nature

1.16 **Service Company.** Service Company shall mean any person or entity other than the Administrator designated to provide claims administration, loss prevention, or similar or other services as directed by the Board.

1.17 **Director.** Director shall mean each person then serving as Director pursuant to the Bylaws.

1.18 **Directors or Board of Directors or Board.** Directors or Board of Directors or Board shall mean the Board of Directors of the VLCT Property and Casualty Intermunicipal Fund, Inc.

ARTICLE II. MEMBERSHIP

2.1 **Eligibility to Become Member.** Entities eligible to become Members of the Fund are:

- (a) any municipality, as defined in 24 V.S.A. § 4941 (2) as eligible to participate in an intermunicipal insurance agreement and which holds a membership status in the VLCT, and
- (b) The Vermont League of Cities and Towns.
- (c) Such entities prior to becoming a Member must:
 - (i) complete such written application to become a Member as the Directors shall determine acting upon resolution of the pertinent local Governing Body committing to membership in the Fund, if required in the opinion of legal counsel of the Fund;
 - (ii) pay Contributions to the Fund pursuant to the provisions of the Articles of Incorporation, Bylaws and the Rules;
 - (iii) meet all other criteria established by the Directors and provide all information requested which such Directors deem necessary and prudent for the proper administration of the Fund, including ,but not limited to, underwriting criteria; and
 - (iv) receive acceptance of Membership by the Directors.

2.2 **Acceptance as Member by Directors.** As set forth, in Section 2.1, an entity shall be accepted as a Member only upon the approval of the Directors. Any entity which has been refused membership may re-request such status after a period determined by the Board of Directors.

2.3 **Effective Time of Becoming a Member.** The effective date upon which an entity may become a Member shall be determined by the Directors.

2.4 **Effect of Acceptance.** Each entity, on becoming a Member, thereby agrees to be bound by the provisions and terms of the Articles of Incorporation, Bylaws, Rules and other agreements pursuant to or incident to the same and any documents required by an Insurer then in effect or that may be adopted from time to time by the Directors.

2.5 **Appeal from Denial of Membership.** When and in the event an entity eligible to become a Member and which has made application therefor, has had Membership denied by the Administrator or the Board, such entity may request the Board to review such decision of denial. Such request for review shall be made within thirty (30) days of denial by written notice to any Director with a copy to the Administrator. The Board shall meet at the time and place designated by the presiding officer of the Board. Procedural matters regarding the conduct of the hearing shall be the same as set forth in Section 2.6.4 hereof regarding Membership review and termination. The decision of the Board on the appeal shall be final.

2.6 **Termination of Membership.** Status as a Member will be continuous unless terminated by the Member or the Fund pursuant to the provisions of the Bylaws.

2.6.1 **Termination.** A Member may be suspended or expelled from the Fund for the reasons set forth in the subparagraphs below.

- (a) Conduct that is determined by the Directors pursuant to 2.6.4 of the Bylaws to warrant suspension or termination.
- (b) Failure to pay any Contribution to the Fund when due and owing. Any Member failing to make a Contribution when due shall, upon fifteen (15) days written notice, be suspended from Membership by action of the Administrator without further action by the Board and Member's coverage and benefits hereunder shall immediately cease on the effective date of such notice. If the Member shall subsequently submit its payment, the Administrator may, in the Administrator's discretion, reinstitute such Membership, provided, however, that coverage and benefits not occur or apply during such membership lapse.
- (c) Failure to comply with the Articles of Incorporation, Bylaws, or Rules.
- (d) Failure to meet the criteria required by any Insurer or the Fund including, without limitation, underwriting criteria.
- (e) Failure to comply in good faith with Loss Prevention and Training Programs instituted by the Fund, or noncooperation with staff of the Fund regarding Loss Prevention procedures.

Such suspension or expulsion for other than nonpayment of contributions or maintenance of membership in VLCT shall be evidenced and preceded by written notice to the Member from the Directors or Administrator and the process set forth in Section 2.6.4.

2.6.2 **Withdrawal.**

- (a) Each Member shall continue its membership for a period of not less than one full Fund Year. Effective upon the conclusion of such period, or effective at the end of any subsequent Fund Year, a Member may withdraw on sixty (60) days advance written notice to the Fund. A Member withdrawing shall have no claim on the reserves on any of the claims that are being maintained by the Fund or which may be required to be paid by the Fund. The Fund shall continue the servicing of any covered claim after withdrawal.
- (b) In the case of withdrawal, a Member shall remain liable for any Contribution which may have accrued prior to the effective date of such withdrawal, including any assessments attributable to the period it was a Member.

2.6.3 VLCT Membership. All Members shall maintain membership in the VLCT and on failure to do so shall be notified that their membership in the Fund shall be terminated if VLCT membership is not renewed prior to the due date of the next Contribution to the Fund which comes due thirty (30) days or more from the lapse in membership in VLCT. Such termination shall be effective as of the date that the Member's next Contribution to the Fund (which comes due thirty (30) days or more from the lapse in VLCT membership) comes due.

2.6.4 Membership Review and Termination.

- (a) When, in the determination of the Administrator, a Member has engaged in conduct, other than nonpayment of Contributions or maintenance of membership in VLCT, that warrants review and/or termination of membership status, the Administrator shall file a written report with the Board. Said report shall contain a summary of the facts and the Administrator's recommendations regarding continued membership status.
- (b) A copy of the Administrator's report shall be served by mail on the Member along with a notice of hearing of the Board. Such notice of hearing shall include the place, date and time of the hearing and a request for attendance by the Member. Such hearing shall be scheduled no less than ten (10) nor more than thirty (30) days from the date of such notice. At their discretion, the Directors may submit written questions to the Member, written answers to which must be mailed to the Administrator no later than seven (7) calendar days prior to the date of the hearing. A Member objecting to the report and recommendations of the Administrator shall submit a written statement to the Board setting out in detail the basis of the objection and any other information the Member desires to submit. Said statement must be mailed to the Administrator no later than seven (7) calendar days prior to the hearing.
- (c) The Directors shall meet at the time and place designated in the notice of hearing. The Member shall be entitled to be represented at the hearing and present an oral statement and other relevant information.
- (d) Following the hearing, the Directors shall affirm, modify, or reject the recommendation of the Administrator. The Board shall have the authority to place a Member on probation, the terms and duration of which it shall determine and shall also have the authority to terminate a Member on thirty (30) days' notice. A copy of the Directors' decision shall be served by certified mail on the Member.
- (e) The action of the Directors shall be final and binding.

2.7 Meetings of the Membership. A meeting of the Members of the Fund shall be held at least annually. The time and place of each meeting will be determined by the Directors. Members shall be notified of the time and place of each meeting by at least ten (10) days written notice.

2.8 Access to Meetings. Meetings of the Members of the Fund and of the Directors shall be open to the public to the same extent as meetings of governmental agencies and bodies.

ARTICLE III. OBLIGATIONS OF MEMBERS

3.1 **Obligations of Members.** The obligations of Members of the Fund shall be as follows:

3.1.1 To appropriate for and to promptly pay all Contributions to the Fund at such times and in such amounts as shall be established by the Directors within the scope of the Articles of Incorporation, Bylaws and Rules.

3.1.2 To allow the Fund and its agents reasonable access to all facilities of the Member and all records, including but not limited to financial records, which relate to the purposes or powers of the Fund.

3.1.3 To allow attorneys employed by the Fund to represent the Member in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Member within the scope of loss protection furnished by the Fund.

3.1.4 To furnish full cooperation with the Fund attorneys, claims adjusters, any Service Company, and any agent, employee, officer or independent contractor of the Fund relating to the purposes and powers of the Fund.

3.1.5 To follow all loss reduction and prevention procedures established by the Fund within the purposes and powers of the Fund.

3.1.6 To furnish to the Fund any budget and audit information of all revenues and expenditures of the Member for any fiscal year for which figures are requested by the Fund.

3.1.7 To report as promptly as possible all incidents which could result in the Fund being required to consider a claim within the scope of coverage undertaken by the Fund in accordance with such Rules as the Directors prescribe or as required by the terms and conditions of the Fund's Coverage Document.

3.2 **Optional Defense by Member.** The Directors shall promulgate Rules to allow Members a reasonable opportunity in liability cases or claims to participate in their own defense or prevent the settlement of such cases or claims by the Fund in a manner contrary to the wishes of the Member.

The Rules shall provide that where the Member has exercised its privilege to prevent the settlement of the case or claim, it shall be responsible for any later judgment or settlement in excess of the settlement offer or proposal, the acceptance of which was prevented by the Member, together with attorney's fees and defense costs beyond those which would have been necessary to settle the case or claim.

3.3 **Contractual Obligation.** The Articles of Incorporation, Bylaws and Rules shall constitute a contract among Members of the Fund. The obligations and responsibilities of the Members set forth herein include the obligation to take no action inconsistent with the Articles of

Incorporation, Bylaws and Rules as originally written or validly amended, and which shall remain a continuing obligation and responsibility of the Member. The agreement of a Member thereto shall be evidenced by an application for Membership, a signed Participation Agreement between the Member and Fund, and a signed copy of a resolution adopted by its Governing Body as required by legal counsel to the Fund. Except to the extent of the Contributions to the Fund agreed to herein, or such additional obligations as may come about through amendment hereto, no Member agrees or contracts herein to be held responsible for any claims in tort, contract or otherwise made against any other Member. Nothing herein contained shall be deemed to create any relationship of surety, indemnification or responsibility between Members for the debts of or claims against any other Member except as otherwise provided in the Articles of Incorporation, Bylaws or Rules.

ARTICLE IV. APPOINTMENT AND RESIGNATION OF DIRECTORS

4.1 **Number of Directors.** The Board of Directors will be composed of eleven (11) individuals to serve in the office of Director. No more than four (4) Directors shall serve on the Board of Directors of the VLCT, or any of its affiliated insurance trusts.

4.2 **Qualification of Directors.** Each Director shall at the time of appointment be an appointed or elected official of a Member. Should a Director during a term cease to be an elected or appointed official of a Member the Director may continue in office but only until December 31 following the next Annual Meeting of the Members. At such Annual Meeting a successor shall be elected by the Members to complete the term. In the appointment of Directors, due regard should, but need not, be given to varying geographic location, population of the Members or entities eligible to become Members, experience in risk management, administrative ability and fiduciary experience.

4.3 **Appointment of Directors.** The Members at the Annual Meeting shall appoint each individual to the office of Director for those terms beginning January 1 of the following year. In the event a Director is unable to complete a term for reasons other than ceasing to be an appointed or elected official, then successor director(s) shall be appointed by the remaining Directors then in office to complete the term.

4.4 **Acceptance of Office of Director.** Each Director shall accept the office of Director by delivery of a written or oral acceptance of such appointment.

4.5 **Tenure of Directors.** Each term of office shall be three (3) years in duration. Terms will be staggered so that no more than four (4) new appointments will accrue each year.

4.6 **Terms of Directors.** The initial Directors shall have terms of office as follows:

- (a) As to Four (4), terms of office expiring on December 31, 1990.
- (b) As to Four (4), terms of office expiring on December 31, 1989.
- (c) As to Three (3), terms of office expiring on December 31, 1988.

Directors shall hold office until the expiration of the appointed term or the appointment

and qualification of a successor, whichever later occurs.

4.7 **Resignation of a Director.** A Director may resign by an instrument in writing delivered to the other Directors then in office. Such written notice of resignation may state a prospective date upon which such resignation shall become effective; otherwise, such resignation shall become effective upon acceptance by the other Directors. Upon the effective date of any such resignation, such Director shall become and be fully discharged from all further duties, responsibilities or liabilities associated with such office. A Director, upon vacating such office shall upon request turn over and deliver to the Fund any and all records, books, documents, monies or other property in the possession of such Director or under the control of such Director and pertaining to the Fund.

4.8 **Removal of a Director.** A Director may be removed from office at any time and for any reason by the remaining Directors of the Board. Without limiting the foregoing, a Director may be removed for the unexcused failure to attend two consecutive meetings of the Board or two consecutive meetings of a Committee of the Board or four unexcused failures to attend, in the aggregate, meetings of the Board or a Committee of the Board in any twelve (12) month period.

4.9 **Powers of Directors to Act in Case of a Vacancy.** If a vacancy occurs in any office of Director for any reason, the remaining Directors then in office shall have full power and authority to act until such vacancy is filled.

4.10 **Regular Meetings.** The Board of Directors may provide, by resolution, the time and place, either within or without the State of Vermont, for the holding of regular meetings without other notice than such resolution.

4.11 **Special Meetings.** Special Meetings of the Board may be called by or at the request of the President or any three (3) Directors. The person or persons authorized to call any such Special Meeting may fix the time and any place, within the State of Vermont, for the holding of any such Special Meeting of the Board called by them. Any such meeting may be called upon at least five (5) days written notice delivered personally or mailed to each Director at their business address or residential address, or by facsimile or email. Such notice shall specify the date, time, place and purposes thereof.

4.12 **Attendance at Meeting.** The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.13 **Quorum.** A quorum for the transaction of business at a duly called meeting shall consist of a majority of the Directors.

4.14 **Voting.** All actions of the Directors shall be by a majority vote of the Directors present at a duly called meeting at which there is a quorum unless otherwise provided in the Bylaws. To the extent permitted by law, meetings may be conducted and votes taken telephonically or other means by which all Directors participating may simultaneously hear each other.

4.15 **Action by Directors Without a Meeting.** Any action which may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing setting forth the actions so taken shall be signed by a majority of the Directors then serving.

4.16 **Officers of the Board.** The Directors shall annually elect from among themselves a President, a Vice-President, and a Treasurer. The President shall preside at all meetings of the Board. The Vice-President shall preside at all meetings in the absence of the President. The Treasurer shall perform all functions customarily devolving upon the chief financial officer of a business corporation. The Directors shall also annually elect a Secretary who may or may not also be a Director. The Secretary shall cause the records of the proceedings of the meeting of the Board to be kept and maintained. All such officers who are also Directors may vote on any issue or matter properly before the Board. The Directors may also appoint an assistant secretary and/or assistant treasurer and delegate some or all of the office's duties to such person.

4.17 **Compensation of Directors.** The Directors may pay themselves reasonable compensation for services and reimburse themselves for reasonable expenses properly and actually incurred in the course of acting as Directors. To the extent that such Director is compensated or reimbursed by a Member for services or expenses, such Director shall not be so compensated or reimbursed, but such compensation or reimbursement may be paid to the Member or other entity, as the case may be, with respect to which such Director is an official.

4.18 **Indemnification.** The Fund Shall indemnify an individual made a party to a legal or administrative proceeding because the individual is or was a director or officer, against liability incurred in the proceeding, if the individual:

1. Conducted himself or herself in good faith; and
2. Reasonably believed:
 - A. In the case of conduct in his or her official capacity with the Fund, the conduct was in the Fund's best interests; and
 - B. In all other cases that his or her conduct was not in opposition to the Fund's best interests; and
 - C. In case of any legal or administrative proceeding brought by a governmental entity, the director or officer had no reasonable cause to believe his or her conduct was unlawful, and the individual is not finally found to have engaged in a reckless or intentional criminal act.

The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that a person did not meet the standard of conduct described herein. The Fund shall not indemnify a person under this section:

1. In connection with a proceeding by or in the right of the Fund in which the person was adjudged liable to the Fund; or
2. In connection with any other proceeding charging improper personal benefit to the person, whether or not involving action in his or her official capacity, in which the

director was adjudged liable on the basis that personal benefit was improperly received.

The obligation of the Fund to indemnify under this section extends to its agent, Vermont League of Cities and Towns, and VLCT employees, when VLCT and/or its employees are acting within the scope of their authority on behalf of the Fund. Nothing herein shall limit the Fund from purchasing liability insurance providing coverage to its Directors and/or Agents broader than the protection provided by this section.

4.19 Checks, Drafts and Orders. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the Fund and in such manner as shall be time to time be determined by resolution or Rules of the Directors.

4.20 Alternate Director. The Directors may in their discretion appoint a person to the position of Alternate Director for a one-year term, or portion thereof, ending December 31. The Alternate shall receive the same compensation and reimbursement for expenses and have the same duties and obligations as regular Directors except the Alternate Director may only vote on matters when the presence of the Alternate Director is necessary to constitute a quorum. In determining the number of directors needed to establish a quorum under Article 4.13, the position of Alternate Director shall not be included. In the event a regular Director is unable to complete a term the remaining Directors may, but are not required to, fill the vacancy with the Alternate Director.

ARTICLE V. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

5.1 General Powers of the Board. The Directors shall have such powers as necessary or prudent to discharge their responsibilities in managing and controlling the Fund, whether or not mentioned herein, including the following:

5.1.1 To accept, determine and make reasonable arrangements for the payment by or on behalf of each Member of all Contributions due.

5.1.2 Administer a risk management pool, collect Contributions thereto and pay authorized losses on behalf of its Members.

5.1.3 Establish loss control procedures and advise and educate Members in loss control and risk reduction.

5.1.4 Provide risk management services including defense of and settlement of claims.

5.1.5 Purchase reinsurance or excess insurance as necessary to protect the interests of the Members and the Fund.

5.1.6 Determine the general policy for operation of the Fund that shall be followed by all committees, officers, agents and independent contractors employed by the Fund.

5.1.7 Adopt Rules for the conduct of the affairs of the Fund and recording of data required by law and sound management.

5.1.8 Terminate membership of any Member that fails to comply with the reasonable requirements of the Fund concerning payment of Contributions, installation of safety requirements, cooperation with the Fund attorneys and agents or for any other action that may be detrimental to the fiscal soundness or efficiency of the Fund.

5.1.9 To designate a bank or banks as a depository of the Fund and to designate one or more persons to withdraw sums therefrom for the purposes of the Fund. All funds not otherwise employed shall be deposited from time to time to the credit of the Fund in such depositories as the Directors may select.

5.1.10 To purchase contracts of insurance and reinsurance and to hold all insurance policies issued by Insurers and to deal with Insurers on behalf of the Members with respect to all matters pertaining to the Fund including without limitation with Insurers regarding an insurance program or insurance programs and the requirements for insurance thereunder for the Members to the extent that they elect to participate in the Fund. The Directors may enter into such other risk management related agreements or insurance programs or authorized self-insurance programs as they deem necessary or advisable for the benefit of Members.

5.1.11 To receive, hold, manage, invest and reinvest such monies and property of the Fund in stocks, bonds or other securities.

5.1.12 To require and receive such reports from the Members as deemed necessary or advisable for the proper administration of the Fund.

5.1.13 To employ such agents, advisors and counsel as reasonably necessary in collecting, managing, administering, investing and distributing the assets of the Fund, and to charge the expense thereof to the Fund.

5.1.14 To sue and be sued, or to prosecute and defend any and all actions affecting the Fund or its property either in the name of the Fund or in their own names; to compromise or settle any suit, claims or demands, or waive or release any rights relating to the Fund or its property.

5.1.15 To adopt and enforce Rules not inconsistent with the provisions of the Bylaws or Articles of Incorporation as the Directors may from time to time deem expedient.

5.1.16 To make, execute, acknowledge and deliver any and all documents that may be necessary or appropriate to carry out the powers herein granted.

5.1.17 To appoint from among themselves such committees as the Directors shall deem expedient including an executive committee which may be vested with such powers as the Directors in their sole discretion shall determine.

5.1.18 To borrow or raise money for the purposes of the Fund in such amount and upon such terms and conditions as the Directors shall deem advisable; and for any sum so borrowed to issue the promissory note of the Fund, and to secure the repayment thereof by creating a security interest in all or any part of the Fund; and no person lending such money shall be obligated to see that the money lent is applied to Fund purposes or to inquire into the validity, expedience or propriety of such borrowing.

5.1.19 To hold cash, uninvested, for such length of time as the Directors may determine without liability for interest thereon.

5.1.20 To continue to have and to execute, after the termination of the Fund and until final distribution, all of the title, powers, discretions, rights and duties conferred or imposed upon the Directors hereunder, or by law.

5.1.21 To have a judicial settlement of their accounts and judicial determination of any questions in connection with their duties and obligations hereunder, or in connection with the administration or distribution thereof. The costs and expenses, including accounting and legal fees, for such judicial settlement of accounts or other judicial determination shall be paid by the Fund as a general administrative expense to the extent permitted by applicable law.

5.1.22 To purchase as a general administrative expense of the Fund liability insurance and other insurance for the benefit of the Fund and/or the protection of the Directors, Fund employees, or agents against any losses by reason of errors or omissions or breach of fiduciary duty or negligence.

5.1.23 To enter into any and all contracts and agreements for carrying out the purposes of the Fund and for the administration and operation of the Fund.

5.1.24 To appoint one or more investment managers to supervise and direct the investment and reinvestment of a portion or all of Fund assets in accordance with the provisions hereof and applicable law and in the same manner and with the same powers, duties, obligations, responsibilities and limitations as apply to the Directors as set forth herein and to pay reasonable compensation for such services.

5.1.25 To acquire, hold, own, rent or lease, alone or in conjunction with any other party or parties, and for use in connection with the purposes of the Fund any property, real or personal, and to pay the appropriate pro rata part of the mortgage payments, property taxes, assessments, insurance, maintenance and ordinary repairs on all such property.

5.1.26 To initiate, consider or pursue a plan of merger with another intermunicipal insurance agreement or similar insurance pool or organization in accordance with statutory procedure or rules governing such mergers.

5.1.27 To do all acts, whether or not expressly authorized herein, which the Directors may deem necessary or proper in connection with the Fund.

5.2 **Finance Committee.** The Board may establish a Finance Committee. In selecting committee members, the Board shall consider investment expertise and personal and professional qualifications and shall make appointments for such terms as it may deem desirable.

5.3 **Underwriting Committee.** The Board may establish an Underwriting Committee. The duties of the Underwriting Committee shall be determined by the Board but may include development of underwriting standards for Board approval, recommendation of rating procedures to the Board, review of applications and recommendations to the Board regarding acceptance of applications for membership and otherwise make recommendations to the Board.

5.4 **Loss Prevention Committee.** The Board may establish a Loss Prevention Committee. If the Board shall establish such a committee, its duties will be as determined by the Board, but may include, without limitation, arranging for and evaluating the regular conduct of loss control, production of recommendations to prevent losses, maintenance of a loss control manual and the conduct of seminars regarding loss control.

5.5 **Claims/Data Committee.** The Board may establish a Claims/Data Committee. If the Board establishes such a committee, its duties will be as determined by the Board, but may include review of the handling and litigation of claims, review of claims policies and procedures, and investigation of data collection and processing systems for the Fund.

5.6 **Compensation of Members of Committees.** The Board may provide for extra compensation to Directors serving on any committee of the Board.

5.7 **Appointment of an Administrator.** The Directors shall designate and provide compensation for an Administrator to administer the daily affairs of the Fund, provided such Administrator shall not be an owner, officer or employee of any Service Company.

Any Administrator so appointed shall be furnished with a fidelity bond with the Fund as obligee. The amount of the bond shall be determined by the Directors. The duties of the Administrator shall include, without limitation, carrying out of policies established by the Board, locating and recommending various contractors, supervising and reporting on contractors' performance, the provision of financial and accounting reports, and the maintenance of excess, reinsurance, or other insurance.

5.8 **Service Company.** If services are not otherwise to be provided by the Fund or Administrator, the Board shall obtain the services of a Service Company for such purposes as directed by the Board. The Service Company shall adhere to guidelines established by the Directors.

5.9 **Duties of the Board of Directors.** In connection with their management and control of the Fund, the Directors shall:

5.9.1 Pay claims to or on behalf of the Members in accordance with the coverages of the Fund.

5.9.2 Create a reserve or reserves for the payment of claims.

5.9.3 Pay or provide for the payment on behalf of Members hereunder to an Insurer of all premiums as they become due on any policy of insurance.

5.9.4 Cause to be maintained accounts of all investments, receipts, disbursements and all other transactions affecting all or any portion of the Fund.

5.9.5 Engage an independent certified public accountant to perform a financial audit of the Fund at least once per Fund Year and to report regarding such audit to the Members at the annual meeting of the Members.

5.9.6 Engage an independent and qualified actuary to perform actuarial calculations and provide advice regarding the sufficiency of the Loss Fund at least once per Fund Year.

5.9.7 Maintain minutes of all meetings of the Board and Members and cause copies thereof to be distributed in a timely manner to all Directors.

5.9.8 Pay from the Fund all taxes and assessments of any and all kind whatsoever that may be levied or assessed under existing or future laws upon, or in respect of, the Fund or its income.

5.9.9 Cause the terms and provisions of the Bylaws, the Articles of Incorporation and the Rules to be performed and carried out and the assets of the Fund to be properly held and administered.

5.9.10 Pay or provide for the payment of all reasonable expenses incurred by the Directors in protecting the Fund and in carrying out the duties of the Directors.

5.10 **Advisory Committees.** The Board may, in its sole absolute discretion, appoint and compensate advisory committees to the Board or any Committee of the Board comprised of individuals who are not Directors but whose expertise, experience or knowledge may be helpful to the Directors in carrying out their duties.

ARTICLE VI. ACCRUAL OF NET INCOME

6.1 **Net Income to Accrue to Members.** The net income shall accrue to the Members of the Fund as it is earned and each Member shall have a legal enforceable right to its respective share thereof. As used in these Bylaws, “net income” shall be determined in accordance with the Code. In the event that the Code does not provide adequate provisions for such determination, then if the Directors should find that the amount in the Loss Fund shall be more than sufficient to pay claims and maintain prudent reserves, such surplus funds may be returned to the Members. Such return, if any, shall be by means of reduction in Contributions due in subsequent Fund Years in accordance with all applicable laws and regulations including any validly adopted regulations of the Vermont Commissioner of Banking, Insurance, Securities and Health Care Administration.

6.2 **Proportions in Which Net Income Accrues.** In connection with any program which the Fund may offer to its Members, the Directors may provide for the net income attributable to said

program to accrue, as it is earned, to those Members participating in said program in such proportions as the Directors determine, provided such determination allocates one hundred percent (100%) of net income to Members participating in such program and be non-discriminatory among Members receiving similar services and having similar payments of or reservations for claims. The Directors may furthermore, from time to time, modify or change the determination as to the participating Members' proportionate shares of the future net income attributable to a program, provided that no modification or change shall affect the income accrued to Members before the effective date of such modification or change. In the event the Fund shall have any net income as to which the proportional accrual among its members has not been determined by the Directors, as aforesaid, then such net income shall accrue to the Members, as it is earned, in proportion to the respective contribution, during the Fund Year in which the net income is earned, which each Member makes for coverage in connection with programs offered by the Fund to its Members during said Fund Year.

ARTICLE VII. LOSS FUND PROTECTION

7.1 **Limits of Liability.** The Fund will make or secure payment to or on behalf of each Member in accordance with the certificate of coverage of each Member and under criteria to be established for the payment of claims as provided by the Fund.

7.2 **Excess Losses.** In the event that a single loss should exceed the amount of protection afforded by the Fund, and any other insurance carried by the Fund, then payment of valid losses shall be the obligation of the individual Member or Members against whom the claim was made and perfected by judgment or settlement.

7.3 **Assessment.** As indicated in Section 1.5, the Contributions of a Member may include an assessment for protection of the Loss Fund. The total assessment amount shall be the amount determined from time to time by the Board of Directors. In the event that an assessment is required, such assessment shall be made against individual Members in the proportion that each such Member's Contribution amount bears to the total Contribution amount of all Members for the Fund Year for which the assessment is required.

The Board shall adjust the assessment of Members prior to the commencement of each subsequent Fund Year, upon the advice of an actuary as to the extent of Loss Fund deficiency.

7.4 **Additional Insurance.** Membership in the Fund shall not preclude any Member from purchasing excess insurance coverage beyond that obtained through the Fund. The Member will notify the Fund in writing of any purchase of such other insurance.

7.5 **Adjustments in Scope and Limits.** The Board of Directors may adjust the scope of coverage, and limits of coverage and/or the amount of loss retention by the Loss Fund in consideration of loss experience, additional coverage required by Members, and amounts and scope of reinsurance coverage available, or for such other reasons as determined by the Board. Any adjustment in the scope or limits of coverage shall be preceded by written notification of the adjustment to the Members prior to its effective date.

ARTICLE VIII. TERMINATION

8.1 **Term of Fund.** The Fund shall continue until the Directors determine such continuance not practical or economically justified. The Fund may be terminated earlier by instrument in writing approved and signed by three quarters ($\frac{3}{4}$) of the Directors then serving in office. Notwithstanding the foregoing, the Directors shall continue to serve in office until all obligations of the Fund have been fully and finally discharged or adequately provided for. Thirty (30) days prior to the termination of the Fund, the Directors shall notify each Member of such termination.

8.2 **Distribution of the Fund.** As soon as practicable after termination of the Fund, the Directors shall make appropriate provisions for the payment of all liabilities of the Fund. Upon the satisfaction of all obligations of the Fund, the Directors shall return all remaining assets of the Fund to the Members (which were Members for any one or more complete Fund Years) in proportion that each such Member's total Contributions in connection with programs offered by the Fund to its Members during all Fund Years throughout which it was a Member, bears to the total Contributions of all such Members during all Fund Years of the Fund.

8.3 **Deficiencies.** No Member shall be responsible for any claim(s) or judgment(s) against any other Member or Members except to the extent of the assets of the Loss Fund, any insurance carried by the Fund, and any assessment as provided herein. However, if on cessation of activities as provided in 8.1 and 8.2, the remaining assets of the Fund are insufficient to satisfy indebtedness of the Fund other than for claims or judgments against Members, such deficiency shall be made up by assessments against Members and former Members of the Fund by a fair and reasonable method established by the Board of Directors.

8.4 **Liquidation.** The dissolution of the Fund and the liquidation of its assets shall be undertaken only in accordance with a plan adopted by the Directors and approved by the Vermont Commissioner of Banking, Insurance Securities and Health Care Administration. Such plan shall provide for the payment of all incurred losses and expenses of the Fund and its Members, including all incurred but not reported losses, as certified by an actuary, to the extent of the Fund's assets. No assets of the Fund may be used for any other purpose until all losses and expenses are paid in full.

ARTICLE IX. AMENDMENTS

9.1 **Method of Amendment.** These Bylaws may be altered, amended or repealed and new Bylaws may be adopted in any manner permitted under the Vermont Non-Profit Corporation Act. To the extent any Bylaw hereunder is inconsistent with a mandatory provision of the Vermont Non-Profit Corporation Act, the Bylaws shall be deemed amended to conform with the Act but only to the extent necessary to comply with the Act.

ARTICLE X. GENERAL PROVISIONS

10.1 **Title to the Fund.** Title to the Fund shall be vested in and remain exclusively in the Board of Directors and no Member shall have any right, title or interest in the Fund nor any right to Contributions made or to be made thereto, nor any claim against any Member on account

thereof, except as provided from time to time by the Bylaws.

10.2 Nonalienation of Benefits. The Fund shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge by any person other than the Directors and their duly authorized representative(s), and by the Directors or representative(s), only to the extent and for the purposes as herein specifically provided.

10.3 Examination of Books and Records. The Directors, their agents, employees or attorneys shall be permitted at all reasonable times prior to the expiration of two (2) years after the termination of a Member's participation in the Fund to examine the Member's books, vouchers, contracts, documents and records of any and every kind which show or tend to show or verify the amount(s) which is (are) payable to or by the Fund or from such Member.

10.4 Right to Obtain Adjudication of Disputes. In the event any question or dispute shall arise as to the property or person or persons to whom any payment shall be made from the Fund, the Directors may withhold such payment until an adjudication of such question or dispute satisfactory to the Directors in their sole discretion or the Directors and the Fund have been adequately indemnified against loss.

10.5 Notice of Delivery of Documents. Any notice required to be given hereunder, except as otherwise provided, shall be by mail, first class, postage prepaid, and shall be deemed to have been given as of the date of posting.

10.6 Gender, Number and Captions. Wherever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine or neuter gender in all cases where they would so apply, and wherever any words are used herein in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply. Titles of articles and headings of sections and subsections are inserted for convenience or reference only and are not to be considered in the construction hereof.

10.7 Construction. These Bylaws shall be construed in accordance with the laws of the State of Vermont, specifically, and not by limitation, the provisions of 24 V.S.A. Chapter 121, Subchapter 6 and valid regulations thereunder. All questions pertaining to validity or construction not otherwise preempted shall be determined in accordance with the laws of the State of Vermont. If any provision contained in the Bylaws, Articles of Incorporation or Rules should be held unlawful, such provision shall be of no force and effect and shall be treated as if such provision had not been contained therein.

10.8 Conduct of Meetings. All meetings of Directors, Committees, and Members, and all parliamentary issues, shall be conducted and determined in accordance with Robert's Rules of Order, current edition and revision.

Duly approved by the Directors of VLCT Property and Casualty Intermunicipal Fund on July 21, 2000 and ratified and adopted at the Annual Meeting of VLCT Property and Casualty Intermunicipal Fund, Inc., September 28, 2000.