

**BYLAWS
NATIONAL WORKERS COMPENSATION REINSURANCE ASSOCIATION NFP**

ARTICLE I

Definitions - Rules of Construction

Unless otherwise provided herein, all terms defined in any Authorized Insurance Plan shall have the same meaning in these Bylaws.

The terms “net premiums written,” “net workers compensation insurance premiums written,” “workers compensation premiums written” and “workers compensation insurance premiums,” wherever used in these Bylaws, shall mean the gross direct premiums charged less all premiums (except dividends and savings refunded under participating policies) returned to policyholders for all Workers Compensation and Occupational Disease Insurance, exclusive of premiums for risks subject to these Bylaws, and for risks written under National Defense Projects Rating Plan and under excess policies. (An excess workers compensation insurance policy is a policy issued to provide coverage for amounts above a self-insured retention.)

The term “Insurance Plan(s)” wherever used in these Bylaws shall mean workers compensation insurance plans or other assigned risk workers compensation insurance plans that are in effect in various states and which generally provide for the issuance of workers compensation policies to employers who are in good faith entitled to workers compensation insurance as defined in the insurance plans but are unable to procure such insurance in a regular manner.

“Authorized Insurance Plan” wherever used herein shall mean an Insurance Plan (i) approved by the insurance regulator in any state that provides workers compensation insurance to employers who are in good faith entitled to such insurance but are unable to procure such insurance in a regular manner and (ii) which has been authorized by the Board of Directors under Article V, Section 7.

The term “Workers Compensation” and the word “Workers” wherever used within these Bylaws mean Workers or Workmen’s as applicable.

The term “Reinsurance Agreements” shall mean those quota share reinsurance agreements entered into among the Servicing Carriers and the Members in the capacities as licensed insurance companies, as provided for in these Bylaws. These Reinsurance Agreements reinsure the direct insurance obligations of the Servicing Carriers that issue insurance policies in their own names directly to policyholders under the Authorized Insurance Plans.

The term “Administrator” shall mean the entity designated by the Board of Directors to provide the necessary administrative services as are required to achieve the purposes of the Reinsurance Agreements.

The term “Servicing Carrier(s)” shall mean those licensed insurers which (i) have been selected pursuant to the Authorized Insurance Plans to issue to employers who are eligible for such coverage direct workers compensation insurance policies, as defined in those Plans, such policies being issued in the insurer’s own name; and (ii) with respect to such policies, have ceded reinsurance pursuant to the Reinsurance Agreements.

The term “Active States” shall mean those states where reinsurance under these Bylaws is being provided to new or renewal policies issued under an Authorized Insurance Plan.

ARTICLE II

Purposes and Limitations

- 1. Purposes.** The purposes of the Corporation include those set out in the Corporation’s Articles of Incorporation and to provide Members with an option for complying with Authorized Insurance Plan requirements by permitting the Members to share in the experience of certain assigned risks through reinsurance, thereby reducing both administrative costs and the annual fluctuation in the liability of Members arising from Authorized Insurance Plan participation. Under the Insurance Plans, an employer who qualifies for coverage is assigned to a carrier to issue and service the policy of insurance issued to such employer. Assignments are made to Servicing Carriers that are appointed pursuant to the Authorized Insurance Plans to write and service the policies issued to employers, which policies are then reinsured by the Members in their capacities as licensed insurance companies pursuant to the Reinsurance Agreements. The service

provided by the Servicing Carriers is the provision of direct insurance, which includes underwriting and issuing the policy, auditing and collection of premiums, paying all premium and loss based taxes and assessments, providing loss control, and defending and paying claims.

All Members must enter into Reinsurance Agreements with Servicing Carriers for the purpose of sharing through reinsurance, whether as separate or combined components, the premiums, losses, costs and/or expenses of the policies assigned to the Servicing Carriers. The Reinsurance Agreements distribute premiums, losses, costs and/or expenses and define the obligations among the Servicing Carriers and the Members in their capacities as reinsurers. The Corporation will: (1) facilitate the reinsurance by establishing uniform rules and procedures; (2) provide a framework which permits the Members to agree upon such rules and procedures in the future; and (3) provide a mechanism for resolving disputes arising under the Reinsurance Agreements and these Bylaws.

The relationship under the Reinsurance Agreements between the Servicing Carriers and the Members in their capacities as reinsurers shall be administered by a separate organization (“Administrator”) as provided for in an administration agreement (herein “Administration Agreement”). The Administrator’s duties and obligations with respect to such administration are established by: (i) the Authorized Insurance Plans; (ii) these Bylaws; and (iii) the Administration Agreement. The Administrator is also designated as an agent for the Members to enter into contracts on their behalf to carry out the purposes of these Bylaws including but not limited to the Reinsurance Agreements.

2. **Limitations.** After March 15, 2012, no Insurance Plan for any state shall be brought within the scope of these Bylaws and the rules and procedures adopted hereunder unless these Bylaws have been authorized for and incorporated as part of the Insurance Plan that has been filed with the insurance regulator in such state and approved, or the Bylaws are otherwise approved by the insurance regulator.

These Bylaws shall apply to policies issued to employers whose risks have been assigned to and accepted by Servicing Carriers in accordance with any Authorized Insurance Plan and the terms herein.

Commencing on January 1, 2010, these Bylaws shall be applicable to each Authorized Insurance Plan for terms of three (3) calendar years, unless action is taken pursuant to Article V, Section 8. At the end of each such term, these Bylaws shall automatically renew for an additional three (3) year term unless the Board of Directors shall recommend to the Members that no such renewal should be extended to that Authorized Insurance Plan. Any such recommendation by the Board shall be presented to the Members no later than the regular meeting of Members to be held during June of the third year of any such term for a specific Authorized Insurance Plan. Any such recommendation is subject to ratification by the affirmative vote, in person or by proxy, of Members writing at least 66 2/3% of the total net workers compensation premium written by all Members in such state during the latest available calendar year.

ARTICLE III

Members

- 1. Eligibility.** Any company licensed to write workers compensation insurance in any state that has an approved Authorized Insurance Plan may become a Member. Any state Workers Compensation Insurance Fund established by law also may become a Member. The Board of Directors may permit participation at its sole discretion to any group, organization, association or other entity it deems appropriate.

A company that elects to become a Member need not participate in the reinsurance in all states where the Bylaws have been approved. If, however, a Member is part of a group or affiliation, its election as to which states it will participate must be the same for all companies affiliated in the group. At the time a company becomes a Member, it must identify all affiliated companies and notify the Administrator in which states it will participate. Thereafter, any Member may withdraw from providing reinsurance in any state by giving notice as required in paragraph 2 below subject to the withdrawal of all affiliated companies from such state or states.

2. **Withdrawal.** Any Member may withdraw as a reinsurer with respect to the reinsurance in a given state or states only on December 31 of any year and must give ninety (90) calendar days' advance written notice to the Administrator. Any withdrawal must be made by all companies affiliated within a group.
3. **Expulsion.** The Board of Directors, by affirmative vote of at least nine (9) directors then holding office and eligible to vote, may at any time expel any Member which in the opinion of the Board shall have violated any of the provisions of these Bylaws or of the rules forming a part hereof as then constituted. Prior to any such action by the Board, the Member shall have the opportunity to present any relevant evidence to the Board concerning any such alleged violation after notice of no less than ten (10) calendar days by the Board which specifies the alleged violation. If, after the Member has presented evidence to the Board, the Board determines that a violation has occurred, the Board shall send the Member a notice of expulsion by mail, facsimile transmission, or delivery to such Member at its latest home office address appearing on the records of the Administrator. If the violation is not cured within fifteen (15) calendar days following the mailing, transmission, or delivery of such notice, the expulsion shall become effective at a date to be determined by the Board but no later than December 31st of the current calendar year. No member of the Board of Directors may vote in a proceeding to expel a Member by which it is employed or any of its affiliates.

Notice of an expulsion shall be given to the insurance regulator in each state where the expelled Member was providing reinsurance. The expelled Member shall have the right to request a review of the Board of Directors' decision by the insurance regulator pursuant to the Dispute Resolution Procedures under the applicable Authorized Insurance Plans.

4. **Obligations After Termination.** Any Member which terminates participation by withdrawal or by expulsion or has withdrawn from providing reinsurance in a certain state or states shall, nevertheless, with respect to risks in force prior to midnight of the effective date of such termination or withdrawal, continue to be governed by these Bylaws, the Reinsurance Agreements, and the rules and procedures promulgated thereunder.

5. Insolvency.

- (a) In the event any Member shall become insolvent, as hereinafter defined, participation by such company under these Bylaws and the Reinsurance Agreements shall be deemed terminated at the time such Member becomes insolvent subject to the further provisions of Section 5(e).
- (b) In the event a Servicing Carrier becomes insolvent, the Administrator, acting on behalf of each of the Members as directed by the Board of Directors, shall have the option to:
 - (i) pay to the receiver, conservator, rehabilitator, liquidator or other appropriate representative all losses and expenses for which such insolvent Servicing Carrier shall have become liable arising out of policies reinsured under Reinsurance Agreements between the Member and such insolvent Servicing Carrier; or
 - (ii) subject to the approval of the receiver, conservator, rehabilitator, liquidator or other representative, and subject to the approval of any court having jurisdiction over the proceedings, terminate the obligation of the Members to such insolvent Servicing Carrier under the Reinsurance Agreements with such insolvent Servicing Carrier for losses, costs and expenses for which the insolvent Servicing Carrier shall have become liable. If this option is exercised, and where appropriate in the jurisdiction involved, the Administrator shall make arrangements to have all risks that have been assigned to and are being serviced by such insolvent Servicing Carrier reassigned to another Servicing Carrier or third party service provider for servicing. Such successor Servicing Carrier or third party service provider shall assume all the duties and obligations of the insolvent Servicing Carrier and shall be entitled to the reinsurance provided by the Members. Payment made on account of such risks, including expenses for the servicing thereof, shall be apportioned prorata among the remaining Members in accordance with the method provided for the apportioning of assessments.

- (c) The outstanding liability to the Members of any insolvent Member, whether in its capacity as a Servicing Carrier or a Member or both, and except for the portion unexpended of any amount of premium retained for servicing by such insolvent Member (if a Servicing Carrier), shall, in event of such insolvency, and subject to any other or further provision with respect thereto which may be from time to time embodied in the rules and procedures adopted hereunder, be assumed by and apportioned among the remaining Members in the same manner in which liability for assessments is apportioned. No premium distributions or refunds shall be made to such insolvent Member until all of its liabilities to the Members and all liabilities assumed by the Members by virtue of the provisions in this section shall have been fully settled and satisfied.

The Members shall have all the rights allowed by law against the estate or funds of such insolvent Servicing Carrier for recovery of funds disbursed (including the payment of losses, costs, expenses and unearned Servicing Carrier allowance) to insolvent Servicing Carriers which have been absorbed by the Members as herein provided. The Corporation is empowered to act as attorney-in-fact for all Members, or the Board may appoint any other person or entity to act as attorney-in-fact on behalf of all Members, to assert and enforce such liability or any compromise thereof on their behalf pursuant to Article V, Section 13.

Upon the insolvency of a Servicing Carrier, all amounts due to such insolvent Servicing Carrier from the Members as a result of the reinsurance provided to such Servicing Carrier and all amounts due from the insolvent Servicing Carrier as a Member to other Servicing Carriers it reinsures shall be merged into one account and deemed mutual debts and credits which solvent Members and Servicing Carriers may offset.

In the event of the insolvency of a Member, any amounts owed to such insolvent Member from any Servicing Carrier under any Reinsurance Agreement may be offset from any amounts owed (either due or to become due) by such insolvent Member to any Servicing Carrier under the same Reinsurance Agreements. It is the intent of this provision that all amounts due to or from an insolvent Member

under this provision will be treated as mutual debts and credits for purposes of offset rights.

- (d) The Board of Directors shall have the discretion to terminate participation of any or all affiliated companies of the insolvent Member. The termination of an insolvent Member or any or all companies described in this section shall not be deemed a violation of the requirement contained in Article III, Section I relating to all insurers in a group becoming Members. A decision to terminate an affiliate of an insolvent Member is reviewable under the applicable Authorized Insurance Plans.
- (e) Anything in this Section to the contrary notwithstanding, the Board of Directors may, in the event such action is in its judgment feasible and desirable, and in a manner equitable to all Members, elect not to terminate the participation of such insolvent Member, and permit such Member to continue its participation under these Bylaws upon such conditions as it may prescribe and subject in all respects to these Bylaws and the rules and procedures hereunder as then constituted.
- (f) No member of the Board of Directors that is either an employee or representative of the insolvent Member or affiliate thereof may vote in any proceeding under this Section.
- (g) As used herein, “insolvent” means being the subject of receivership, conservatorship, rehabilitation, liquidation, or similar court proceedings, whether voluntary or involuntary, in any jurisdiction.

6. Member Obligations.

- (a) The Administrator is authorized to establish a financial credit policy designed to protect the interests of all Members by making sure that each Member, where appropriate, has adequate financial resources to meet its obligations under the Reinsurance Agreements. The financial credit policy may include, but need not be limited to, such things as: (i) financial reporting to the Administrator; (ii) minimum financial standards which must be met by each Member; (iii) actions to be taken by the Administrator when such standards are not met; (iv) obligations of

Members in respect to such financial credit policy; and (v) right of appeal. After soliciting individual input from various Members, the Administrator shall be responsible for the preparation and implementation of the financial credit policy and any subsequent amendments thereto.

- (b) Notwithstanding Section 6. (a) above and in the absence of a good faith dispute as determined by the Administrator, any Member that fails or has failed to make timely payment of its reinsurance obligations or any assessment made under these Bylaws shall become immediately liable as of the earliest date on which such failure to pay occurs, for all current assessments and reinsurance obligations and an additional amount equal to the commuted value on such date of all outstanding reinsurance obligations that such Member may have. For the purposes hereof, such commuted value shall total the amount of unearned premium reserves and incurred loss reserves then allocated to such Member hereunder, as determined by the Administrator and approved by the Board of Directors. The liability of the Member for such commuted value under this provision shall be deemed fixed, liquidated, and non-contingent as of the date of such failure to pay. The Corporation is empowered to act as attorney-in-fact for all Members, or the Board may appoint any other person or entity to act as attorney-in-fact on behalf of all Members, to assert and enforce such liability or any compromise thereof on their behalf pursuant to Article V, Section 13.
- (c) In addition to Sections 6. (a) and (b) above, if the Administrator determines that there is a substantial likelihood that a Member's reserves are not adequate to meet its obligations under the Reinsurance Agreements, the Administrator shall have authority to order that all premium distributions or refunds due or that may become due to the Member be paid into escrow or trust with the Administrator, or otherwise be withheld from distribution to the Member, to secure the Member's obligations and that the Member provide a letter of credit or such other form of security and in such amount approved by the Administrator to secure the Member's future liabilities.

7. Authority to Commute. The Board shall have the authority to direct the Administrator

to enter into agreements on such terms as may be fair and reasonable for the following:

- (a) to commute with a Servicing Carrier all obligations owed by Members to such Servicing Carrier under the Bylaws or the Reinsurance Agreements;
- (b) to commute any specific policy year or years of an individual Member; or
- (c) to novate or reinsure policy years that have more than ten (10) years of experience.

When required under (a) or (c) above, such commutation or novation can only be effected with the agreement of the Servicing Carrier or carriers involved.

Any financial obligations arising under any agreement entered into under this Section 7 shall be binding upon the Member or Members.

ARTICLE IV

Member Meetings and Voting Rights

- 1. Regular Meetings.** The Members shall meet annually on the third Wednesday of June, or on such other date as the Board of Directors may determine, and at such place as the Board of Directors may determine.
- 2. Special Meetings.** Special meetings of the Members may be called at any time by the Chair of the Board of Directors and shall be called by the Chair upon the written request of three (3) non-affiliated Members.
- 3. Notice of Meetings.** Except as otherwise provided in Article IX, notice of all annual and special meetings shall be given or caused to be given by the Chair, in writing, mailed or delivered to, or by facsimile transmission or e-mail direct to, each Member at the latest address appearing upon the records of the Administrator, or by telephone communication to any executive officer of such Member. If notice is given by writing and mailed to the Member, such notice shall be placed in the mail not less than five (5) and not more than sixty (60) calendar days prior to the date of the meeting.
- 4. Quorum.** A quorum at any annual or special meeting shall consist of Members represented in person or by proxy that write not less than 50.1% of the total net workers compensation premiums written in Active States by all Members during the latest

calendar year for which information is available. For purposes of determining a quorum and any vote taken hereunder, the net workers compensation premium written for each Member shall only include those states where such Member is providing reinsurance.

5. **Powers.** The purpose of any special meeting shall be stated in the notice thereof; but at all such meetings and at annual meetings, Members may consider and act upon all matters brought before them, except where otherwise specifically provided in these Bylaws.
6. **Voting Rights.** Except where otherwise provided in these Bylaws, at all meetings action may be taken only upon affirmative vote of a majority of the Members that write not less than 50.1 % of the total net workers compensation premiums written in Active States by all Members during the latest calendar year for which information is available. If such meeting is limited to matters involving one state by the terms of the notice of meeting, no action may be taken unless there has been an affirmative vote of Members that write not less than 50.1% of the total net workers compensation premiums written by all Members providing reinsurance in such state during the latest calendar year for which information is available in such state.
7. **Proxies and Mail Votes.** Members may be represented at any meeting by proxy. Every proxy shall be in writing and signed by an authorized officer of the Member. No proxy shall be valid after the expiration of six (6) months after the date thereof. Every proxy shall be revocable at the pleasure of the Member executing it. Before any proxy can be voted, it shall first be filed with the Chair of the Board of Directors or the Chair's designee not later than one (1) full business day in advance of the meeting.
8. **Procedure / Minutes of Meetings.** Minutes of all meetings of the Members and of the Board of Directors shall be recorded and be available to all Members. Except as otherwise specifically provided in these Bylaws, all annual and special meetings shall be conducted in accordance with the rules and procedures designated and decisions made by the Chair ahead of or during such meetings. The Chair may be overruled, or the parliamentary procedure established in the most current edition of *Robert's Rules of Order* may alternatively be adopted, prior to or during a particular meeting by a vote of the Members in accordance with Article IV Section 6.

9. Action may be taken without a meeting in accordance with statutory requirements.

ARTICLE V

Board of Directors

1. **Number and Term of Office.** Except for those powers specifically granted to the Administrator or an administrator under any Authorized Insurance Plan, these Bylaws and the Administrative Agreement, the operation, business and affairs of all matters arising under these Bylaws shall be managed and controlled by a Board of Directors composed of twelve (12) individuals, none of whom are employees or representatives of the same Member. Only individuals who are employees or representatives of Members shall be eligible for election as Directors.

The Board shall be elected by the Members at the annual meeting of the Members. Board elections shall be made for staggered terms, with such terms effective immediately upon adjournment of the annual meeting of the Members.

Four (4) individuals shall be elected annually for a term of three (3) years. No individual serving on the Board for two full consecutive terms shall succeed himself or herself, except where a sufficient number of non-succeeding individuals cannot be induced to serve on the Board.

No more than five (5) of the twelve (12) Board members shall be employees or representatives of Members that are Servicing Carriers.

To facilitate voting for members of the Board of Directors at annual meetings, at least sixty (60) days prior to each annual meeting the Board shall appoint a Nominating Committee consisting of four (4) Members. The Nominating Committee shall make nominations for the terms that are expiring at the next annual meeting. The Nominating Committee recommendations shall be reported to all Members at least one (1) week prior to the annual meeting. Any Member can make additional nominations at the annual meeting.

2. **Vacancies.** If a vacancy occurs in the Board of Directors, the Board shall appoint a replacement which will serve until an election can be held at the next annual or special meeting of the Members to fill the unexpired term.

3. **Place of Meetings.** All meetings of the Board shall be held at a place designated by the Chair.
4. **Quorum and Voting Rights.** A majority of the Board of Directors shall constitute a quorum. Each Board member shall be entitled to one vote. Proxy voting shall not be permitted. Any Board action requires an affirmative vote of a majority of the Board present for the meeting at which a quorum is present. If such votes are not cast, the matter fails adoption except as provided for elsewhere in these Bylaws. In the absence of a quorum, the Board, subject, however, to the provisions of Section 2 of this Article V relative to filling vacancies on the Board, shall have no power except that a majority of the Board of Directors in attendance may adjourn the meeting from time to time until a quorum shall attend.
5. **Meetings.** The Board shall meet within thirty (30) calendar days next following the annual election of the Board for the purpose of electing officers to serve for the next ensuing year and for the transaction of all other business within the powers of the Board. Other regular meetings of the Board of Directors shall be held at such places and on such dates as the Board may from time to time determine. Special meetings of the Board may be called at any time by the Chair, or by the Chair upon written request of three (3) non-affiliated Board members. Such notice of regular and special meetings of the Board shall be given as may be determined by the Board or, in the event the period or method of notice shall not have been prescribed, as the Chair shall deem reasonable. Board members may participate in meetings of the Board by means of a conference telephone, video conference, or similar communications method by which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.
6. **Action Without Meeting.** Any action of the Board of Directors may be taken without a meeting if a consent in writing setting forth the action so taken is signed or otherwise acknowledged by e-mail or similar communication by all of the Board members then in office and is filed with the minutes of the Board of Directors. Such unanimous written consent shall have the same effect as a unanimous vote of the Board.
7. **Authorization.** These Bylaws shall not apply to any Insurance Plan unless the

incorporation of these Bylaws into such Insurance Plan is first authorized by the Board of Directors, or the Board approves their application upon some other form of approval by the insurance regulator. The Board has the power, through such vote, to take necessary and appropriate steps to incorporate the Bylaws into such Insurance Plans through filings with the appropriate regulators for consideration and approval, or to otherwise obtain approval from appropriate regulators. In the event that amendments to these Bylaws are not approved by the insurance regulator in a particular state, the most recently approved version of the Bylaws shall continue to apply to risks written through the Insurance Plan in that state.

- 8. Plan Changes.** The Board shall monitor and review any change in any Authorized Insurance Plan and any changes in the identity of the Plan Administrator for any such Plan. The Board shall assess the effect of any such changes on the interests of the Members and policyholders insured under any Authorized Insurance Plan and shall approve all such changes unless the Board finds that such changes would be inconsistent with the purposes of these Bylaws. If the Board does not approve such a change, the Board may elect to terminate reinsurance in accordance with the termination provisions of the applicable Reinsurance Agreement. Any decision by the Board to elect to terminate reinsurance shall be subject to the approval of the Members at any regular or special meeting thereof. At any time, the Board of Directors may develop and present proposed amendments, changes, or revisions to, or complete replacements for, an existing Authorized Insurance Plan or proposed Insurance Plan where the Board believes its proposal would be in the overall interest of the Members in a given state.
- 9. Organization and Procedure.** The members of the Board of Directors annually shall elect a Chair, Vice-Chair and Secretary. The Chair, or in his or her absence the Vice-Chair, or in the absence of both, a Chair pro tem elected by the Directors present, shall act as a Chair of every meeting of the Board; and the Secretary shall keep a record of the Board's proceedings. The order of business at all meetings of the Board shall be determined by the Chair. Except as otherwise specifically provided in these Bylaws, all meetings of the Board shall be conducted in accordance with the rules and procedures designated and decisions made by the Chair ahead of or during such meetings. The Chair may be overruled, or the parliamentary procedure established in the most current edition

of *Robert's Rules of Order* may alternatively be adopted, prior to or during a particular meeting by a vote of the Board in accordance with Article V Section 4.

- 10. Disputes and Appeals.** In addition to the powers elsewhere conferred upon it by these Bylaws, the Board of Directors shall constitute a committee with full authority to pass upon disputes arising with respect to these Bylaws, including without limitation any questions as to the application, scope, and effect of these Bylaws. All disputes reviewed by the Board of Directors and appeals therefrom shall be subject to and shall be resolved in accord with the Dispute Resolution Procedures provided for from time to time in the various Authorized Insurance Plans.
- 11. Rules and Procedures.** The Board of Directors shall have the right to promulgate and adopt rules and procedures for the purpose of implementing the terms of these Bylaws and may also delegate their power to promulgate and adopt rules and procedures to the Administrator, subject to repeal by the Board.
- 12. Authority of Administrator.** The Board of Directors is authorized to appoint an organization to act as Administrator and to execute an agreement between and among the Administrator and Members setting out the duties and obligations of the Administrator. The Administrator is authorized to enter into agreements on behalf of the Members to carry out the purposes of these Bylaws, including but not limited to the Reinsurance Agreements.
- 13. Attorney-in-Fact.** The Corporation is empowered to act as attorney-in-fact on behalf of all Members, or the Board may appoint any other person or entity to act as attorney-in-fact, to prosecute, to submit to arbitration, to settle, and to propose or to accept a compromise with respect to, any claim existing in favor of, any Member based on or involving any matter relating to the Bylaws or to intervene in any action or proceeding related thereto. The Board of Directors has exclusive authority and control over such claims except when the Board of Directors transfers authority and control to the Members. The Members hereby authorize the Board of Directors to assign and transfer to the Corporation or other attorney-in-fact legal title to and a property interest in their claims against any Member. In the event of such an assignment, the Corporation or other attorney-in-fact shall be obligated to pay to the Members all amounts recovered. The

Board of Directors may transfer on its own initiative or at the request of one or more Members, in its sole discretion and pursuant to terms and conditions determined solely by the Board of Directors, authority and control to one or more Members over their own claims. The Board of Directors has no obligation to notify the Members of potential claims or otherwise provide them with information that assists Members in making a decision to request the Board of Directors to transfer control of their claims.

- 14. Chair.** The Chair shall be chief executive officer under these Bylaws, and shall have overall control of and responsibility for all activities subject to these Bylaws and other powers which are incidental thereto. The Chair shall serve for a term of one year and any individual serving as Chair for such term or any portion thereof may succeed himself or herself, provided further that the Chair shall be limited to two (2) consecutive one-year terms, unless otherwise approved by the Board of Directors.
- 15. Vice-Chair.** The Vice-Chair shall have immediate charge, subject to the direction and control of the Chair, of such matters as may be assigned to the Vice-Chair. In the Chair's absence or inability for any reason to act as the Chair, the Chair's executive duties and powers under these Bylaws may, with like effect, be performed and exercised by the Vice-Chair or, if the latter also be absent or unable to act, by a Chair pro tem elected by the Directors present.
- 16. Secretary.** The Secretary, or another person or entity at the Secretary's direction, shall keep a record of the Board's proceedings. The Secretary is authorized to certify these Bylaws, acts taken by the Board, committees or the Members, the tenure of, signatures, identity and acts of officers or other officials, or other official acts; and such certificates may be relied upon by any person to whom the same shall be given, until receipt of notice to the contrary.
- 17. Committees.** The Chair may from time to time propose the appointment of, membership on and Chair for committees (which may include representatives from Members that are not represented on the Board), subject to approval of the Board, with such duties and subject to such rules or conditions, not inconsistent herewith, as the Chair may deem desirable. The Chair of each committee shall have the same powers and duties with respect to the committee so chaired as the Chair of the Board of Directors has with

respect to the Board as a whole. Committee meetings shall be convened and conducted, and action may be taken by each committee, in the same manner as is provided herein for meetings and action of the Board of Directors.

ARTICLE VI

Fiscal Matters

- 1. Fiscal Year.** The Corporation's fiscal year shall be the calendar year unless otherwise established by the Board of Directors.
- 2. Accounts.** Funds held temporarily for the benefit of Members, including funds withheld pursuant to Article III, Section 6, shall be held by the Administrator and kept on deposit in such banks, trust companies or other depositories as may from time to time be designated and prescribed by resolution of the Board of Directors. The Administrator shall have full authority to deposit, withdraw, and invest such funds in order to carry out the purposes of these Bylaws and the Reinsurance Agreements. The Administrator shall keep accurate records to identify such deposits, withdrawals, and investments which shall be available for review by the Board at any time.
- 3. Investment Income.** All income on the funds held for the benefit of the Members shall, upon receipt thereof, become subject to all the appropriate provisions of these Bylaws and the Reinsurance Agreements, except for funds held pursuant to Article III, Section 6 in which case interest will be for the benefit of the Member that has provided the security required.

ARTICLE VII

Indemnification

- 1. Indemnification in Actions Other than by or in the Right of the Corporation.** The Corporation shall indemnify any person or Member who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he, she or such Member is or was a director, officer, employee, member or agent of the Corporation, or (in the case of natural persons) who is or was serving at the request of the Corporation as a director,

officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or Member in connection with such action, suit or proceeding, if such person (or, in the case of a Member, the natural persons acting as representatives of such Member) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person or representative did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal action or proceeding, that the person or representative had reasonable cause to believe that his or her conduct was unlawful.

- 2. Indemnification in Actions by or in the Right of the Corporation.** The Corporation shall indemnify any person or Member, except as provided in Section 13 below, who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person or member is or was a director, officer, employee, member or agent of the Corporation, or (in the case of natural persons) who is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person or Member in connection with the defense or settlement of such action or suit, if such person (or, in the case of a Member, the natural persons acting as representatives of such Member) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, provided that no indemnification shall be made in respect of any claim, issue or matter as to which such person, representative, or Member shall have been adjudged to be liable for negligence or misconduct in the performance of such party's duty to the Corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the

adjudication of liability, but in view of all the circumstances of the case, such party is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

- 3. Notice to Corporation.** With respect to any action or suit to which this Article applies, the party to be indemnified hereunder shall give notice to the Corporation as soon as practicable of any such action or suit, and no expenses (including attorneys' fees) shall be incurred by such party, nor shall such action or suit be settled, without consent of the Corporation, such consent not to be unreasonably withheld.
- 4. Determination of Conduct.** Any indemnification under Sections 1 and 2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case, upon a determination by the board of directors that indemnification of the party seeking such indemnification is proper in the circumstances because such party has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article. Such determination shall be made with respect to a person who is a director or officer at the time of the determination (a) by the majority vote of the directors who are not parties to such action, suit or proceeding even though less than a quorum; (b) by a committee of the directors designated by a majority vote of the directors, even though less than a quorum; (c) if there are no such directors, or if the directors so direct, by independent legal counsel in a written opinion; or (d) by the members entitled to vote, if any.
- 5. Payment of Expenses in Advance.** Expenses (including attorney's fees) incurred by an officer or director in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, as authorized by the board of directors in the specific case, upon receipt of an undertaking by or on behalf of the director or officer, to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article. Such expenses (including attorney's fees) incurred by former directors and officers or other employees, or by Members or agents may be so paid on such terms and conditions, if any, as the Corporation deems appropriate.
- 6. Indemnification Not Exclusive.** The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be

entitled under any bylaw, agreement, vote of Members or disinterested directors, or otherwise, both as to action in such party's official capacity and as to action in another capacity while holding such office, and shall continue as to a party who has ceased to be a director, officer, employee, member or agent, and shall inure to the benefit of the heirs, executors, administrators and corporate successors of such a party.

- 7. Insurance.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article.
- 8. Notice to Members.** If the Corporation has paid indemnity or has advanced expenses under Section 2 of this Article to a director or officer, the corporation shall report the indemnification or advance in writing to Members entitled to vote with or before the notice of the next meeting of the Members entitled to vote.
- 9. References to Corporation.** For purposes of this Article, references to "the Corporation" shall include, in addition to the surviving corporation, any merging corporation (including any corporation having merged with a merging corporation) absorbed in a merger which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers, employees, members or agents, so that any party who was a director, officer, employee, member or agent of such merging corporation, or was serving at the request of such merging corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the surviving corporation as such party would have with respect to such merging corporation if its separate existence had continued.
- 10. Other References: Benefit Plans.** For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and

references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries. A person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article.

- 11. Other References: Agent.** For purposes of this Article, the Administrator and officers and employees of the Administrator acting on behalf of one or more members as provided in these Bylaws shall not be deemed “agents” of the Corporation nor persons serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and this Article shall not confer any indemnification rights on the Administrator or its officers and employees. However, nothing in this Article shall prohibit the Corporation from indemnifying the Administrator and its officers and employees or other affiliates by written contract, the terms of such indemnification to be set by such contract.
- 12. Apportionment and Assessment.** The Corporation’s liability for any indemnity provided in this Article shall be apportioned among all Members, including any named (directly or through their directors, officers, employees or agents) in any threatened, pending or completed action or suit under Sections 1 or 2 of this Article, pursuant to Article X of these Bylaws. To the extent that such threatened, pending or completed action or suit concerns matters in one or more identifiable states in which reinsurance is provided to an Authorized Insurance Plan under these Bylaws and to particular policy years of such reinsurance, the liability for such indemnification shall be ratably apportioned to the Members for those states and policy years in question. Consistent with this Section 12 and with Article X, the Administrator shall have power to assess Members as necessary to fund the indemnification obligations provided in this Article.
- 13. No Indemnification for Member when Action Brought by Corporation.** Any Member (a) that is made a party adverse to the interests of the Members in a lawsuit or other proceeding initiated by the Corporation or Board of Directors or by a Member after

the Board of Directors has transferred control and authority pursuant to Article V, Section 13, or (b) settles a dispute adverse to the interests of the Members involving the Corporation or involving another Member after the Board of Directors has transferred control and authority pursuant to Article V, Section 13 shall not be entitled to indemnification or advancement of expenses under this Article VII.

ARTICLE VIII

Dissolution

Dissolution. Upon the dissolution of the Corporation or the winding up of its affairs, the assets of the Corporation shall be distributed in the discretion of the Board of Directors exclusively for the common business interests of its Members or to organizations which are exempt from Federal Income Tax under IRC Section 501(c)(6) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.

ARTICLE IX

Amendments to Bylaws

Amendments to Bylaws. Any and all provisions of these Bylaws and any amendments hereto shall be subject to amendment, alteration, repeal, or re-enactment at any annual meeting of the Members, or at any special meeting called for the purpose, by the affirmative vote of two-thirds (2/3) of the Members voting in person or by proxy and such two-thirds (2/3) of said Members shall write not less than 50.1% of the total net workers compensation premiums written in Active States by all Members during the latest calendar year for which information is available. For purposes of this determination, the net workers compensation premium written for each Member shall only include those states where such Member is providing reinsurance under these Articles. Not less than fifteen (15) calendar days' written notice of any such meeting shall be given, or caused to be given, by the Chair, in which notice the action proposed to be taken shall be fully set forth. Any amendments to these Bylaws approved by the Members shall be binding on the Members for all outstanding policy years and in all states. Any amendments to these Bylaws approved by the Members shall be filed for approval by the insurance regulator in all Active States.

ARTICLE X

Effective Date

Effective Date. These Bylaws and any amendments thereto, as approved under the provisions of Article IX, shall become effective and binding on those Members that become Members hereto as of the date they become Members. Notwithstanding the foregoing, if pursuant to the terms of any statute, regulation, or Authorized Insurance Plan, any Member was under a legal duty to participate in the reinsurance provided under these Bylaws but failed or refused to become a Member as required, the application of these Bylaws shall relate back to the policy year when the Member first became obligated to become a Member.

ARTICLE XI

Assessments and Expenses

- 1. Expenses and Payments.** Expenses incurred by the Administrator in the administration of the affairs subject to these Bylaws, shall be a proper charge against, and shall be an obligation of the Members. A record shall be kept of all such expenses, and the amount thereof shall be apportioned to the Members in the ratio of their interest under the various Reinsurance Agreements. Such expenses may be paid out of funds held by the Administrator or shall be assessed against the Members.
- 2. Audit.** An examination and audit of the Corporation's financial statements shall be made annually in accordance with generally accepted auditing standards by a Certified Public Accountant.
- 3. Transactions, Accounts, and Financial Statements.** In addition to maintaining the Corporation's books and records, separate accounts shall be maintained by the Administrator covering transactions for each policy year in each state based on the information provided to the Administrator by the Servicing Carriers pursuant to the Reinsurance Agreements. The Administrator shall prepare and deliver to each Member a statement showing the apportionment of only that Member's obligations under the Reinsurance Agreements, including the expenses of administration provided for herein and the condition of each account. The Administrator shall distribute premium and collect reinsurance recoverables as provided for in the Reinsurance Agreements. The

Board shall select independent auditors for engagement by the Administrator to examine an annual special-purpose financial statement prepared by the Administrator for transactions pursuant to the Reinsurance Agreements. The preparation and examination of such special-purpose financial statement shall be performed pursuant to accounting policies and standards that may be adopted from time to time by the Board. As part of this process, the auditors shall make such actuarial determinations as are necessary and appropriate, including the validation of appropriate reserves for each policy year. Upon Board approval of the special-purpose financial statement examination report, the Administrator shall make a copy of such examination report available upon request to any Member.

4. **Actuarial Opinion.** A statement of actuarial opinion for the reserves on policies issued pursuant to Authorized Insurance Plans and reinsured under Reinsurance Agreements shall be prepared and certified by an actuary of the Administrator who meets the qualification standards of the American Academy of Actuaries and the Casualty Actuarial Society, upon the conclusion of each fiscal year. The Administrator shall make a copy of such statement of actuarial opinion available upon request to any Member.

ARTICLE XII

Miscellaneous Provisions

1. **Titles.** The titles to the various articles and sections hereof are for reference purposes only and shall not be used in the construction or interpretation of these Bylaws.
2. **Severability.** In the event any term or provision of these Bylaws shall to any extent be held to be illegal, invalid, unenforceable, or nonoperative as a matter of law, the remaining terms and provisions hereof shall not be affected thereby, and each such term and provision shall be valid and shall remain in full force and effect.

FOR NCCI USE ONLY
CARRIER CODE _____
GROUP CODE _____

NOTICE OF ELECTION FOR MEMBERSHIP IN THE NWCRA NFP

The Company named below and affiliated companies within the group of companies identified in the "Group Affiliation Form" hereby elect(s) to participate in the residual market reinsurance pooling mechanism, as provided in the NWCRA NFP Bylaws, in accordance with the "Participation" Section of the respective Workers Compensation Insurance Plan(s) or authorized assigned risk plans in the state(s) identified on the "State Licensing Form." Any correspondence directed to the Company relating to execution of the NWCRA NFP Membership of NWCRA Bylaws should be sent to:

Company _____

Company Representative _____

Title _____

Address _____

Telephone _____

Fax Number _____

e-mail _____

In Witness Whereof, the above-named Company Representative affirms that he/she is authorized to choose this participation election and to execute this Notice of Election form on behalf of the Company named above on this _____ day

of _____

20__ to be effective January 1, 2014.

Company Representative

Signature _____

Company Representative Printed Name _____

Before me personally appeared _____ to me well known or who produced identification to me to be the person described in this Notice of Election form and who executed the foregoing instrument in my presence.

WITNESS my hand and official seal, this _____ day of _____ 20__.

Notary Public _____

State of _____

Commission Expires _____

National Workers Compensation Reinsurance Association NFP (NWCRA NFP) Membership Agreement

The undersigned company, having elected to participate in the NWCRA NFP, does hereby confirm membership in the NWCRA NFP and agrees to abide by its Articles of Incorporation and Bylaws, as the same may be amended from time to time.

IN WITNESS WHEREOF, the undersigned have respectively caused their corporate names to be hereunto subscribed by the President or a Vice-President and a corporate seal to be hereto affixed, attested by a duly authorized officer or notary public.

Company _____

By: _____
President/Vice President Signature

President/Vice President Printed Name

Title: _____

Attest: _____
Authorized Corporate Officer's or Notary's Signature

SEAL

Date Subscribed: _____

STATE ELECTION AND LICENSING FORM

FOR NCCI USE ONLY	
CARRIER CODE _____	GROUP CODE _____

CARRIER NAME:



State	LICENSED TO WRITE WORKERS COMPENSATION			IF LICENSED YOU MUST CHOOSE AN OPTION		INDICATE WHETHER THIS ELECTION OPTION IS DIFFERENT FROM LAST YEAR	
	YES	EFFECTIVE YEAR OF LICENSE	NO	National Workers Compensation Reinsurance Association	Direct Assignment Carrier	YES	NO
Alabama							
Alaska							
Arizona				MANDATORY NWCRA	MANDATORY NWCRA		
*Arkansas				SEE NOTE BELOW	SEE NOTE BELOW		
Connecticut							
**Delaware							
*District of Columbia				SEE NOTE BELOW	SEE NOTE BELOW		
Georgia							
*Idaho				SEE NOTE BELOW	SEE NOTE BELOW		
*Illinois				SEE NOTE BELOW	SEE NOTE BELOW		
Iowa							
*Kansas				SEE NOTE BELOW	SEE NOTE BELOW		
*Nevada				SEE NOTE BELOW	SEE NOTE BELOW		
New Hampshire							
***New Jersey							
**North Carolina							
Oregon				MANDATORY NWCRA	MANDATORY NWCRA		
South Carolina							
*South Dakota				SEE NOTE BELOW	SEE NOTE BELOW		
Vermont							
Virginia							
*West Virginia				SEE NOTE BELOW	SEE NOTE BELOW		

A SEPARATE FORM MUST BE FILLED OUT FOR EACH COMPANY IN A GROUP

* Although there is a direct assignment option in AR, DC, ID, IL, KS, NV, SD, and WV, subscription to the NWCRA Bylaws is the available option to fulfill a carrier's Plan participation obligation as the Regulator in these states has not previously approved direct assignment carrier requests.

** NCCI is not the Plan Administrator in these states. Please contact the Rating Bureaus in these states regarding direct assignment carrier procedures, if applicable.

*** NCCI is not the Plan Administrator nor is the WCIP filed or approved in New Jersey. Please contact the New Jersey Compensation Rating & Inspection Bureau regarding direct assignment carrier procedures.

