



PENNSYLVANIATM
SURPLUS LINES ASSOCIATION

Pennsylvania Surplus Lines Association

BYLAWS

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ARTICLE I
DEFINITIONS and INTERPRETATIONS

1.01 Definitions. The terms defined in this Section 1.01 for all purposes of these Bylaws and any amendment or supplement hereto shall mean the following:

- a. "Board" shall mean the PSLA Board of Directors.
- b. "Department" or "PID" shall mean the Pennsylvania Insurance Department.
- c. "Entity Member" shall mean any Member that is a legally-established business entity.
- d. "Member" means a Voting Member or a Non-Voting Associate Member, as defined in Article V, section 5.01, hereof.
- e. "Pennsylvania Surplus Lines Law" means the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, No. 284, *as amended*, 40 P.S. §§ 991.1601 et seq.

1.02 Interpretation. The words "hereof," "herein," "hereunder," and other words of similar import, refer to these Bylaws as a whole. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. Headings or titles to Articles, Sections, and other subdivisions of these Bylaws are for convenience only and shall be given no effect, meaning, or construction whatsoever and shall not define or limit any provision hereof.

ARTICLE II
NAME

2.01 Name. The name of this Association shall be the Pennsylvania Surplus Lines Association ("PSLA" or the "Association").

ARTICLE III
OFFICES

3.01 Registered Offices. The Association's registered office shall be at such place as the Board of Directors shall designate, which location may be changed by the Board of Directors, but shall at all times be within the Commonwealth of Pennsylvania. The Association may establish offices at such other places as the Board may designate.

ARTICLE IV
PURPOSES

4.01 Purposes of Association. The operation and maintenance of the business of the Association shall be without profit, and the purposes for which it is formed shall be as set forth in PSLA's Articles of Incorporation, as they may be amended or restated. The specific procedures, criteria and guidelines for achieving the Association's purposes shall be set forth in policies approved by the Board.

ARTICLE V **MEMBERSHIP**

5.01 Classes of Members. The Association shall be comprised of two (2) classes of members: Voting and Non-Voting, as more fully set forth below. Members shall be admitted into the Association by the Board, consistent with procedures and guidelines approved by the Board.

- a. **Voting Members.** Voting Members shall include any individual functioning as a sole proprietor, or entity holding a license in good standing as a resident or non-resident surplus lines licensee issued by the Pennsylvania Insurance Department.
- b. **Non-Voting Associate Members.** Non-Voting Associate Members shall include any person or entity not meeting the criteria set forth in subsection a., but who provides services to the surplus lines insurance industry and is sponsored by a Voting Member for admission as a member consistent with procedures and guidelines approved by the Board.

5.02 Voting Rights: Each Voting Member shall be entitled to one (1) vote. The sole person entitled to vote on behalf of any Entity Member shall be a surplus lines licensee in good standing as designated by the Entity Member in accordance with policies and procedures adopted by the Board.

5.03 Membership Dues or Fees. The Board of Directors may, but is not required to, establish a membership dues or fee structure and payment schedule, as set forth in policies and procedures approved by the Board with the prior approval of the Department.

5.04 Suspension or Termination of Membership. The Board of Directors shall have the right at any time to suspend or terminate the membership of any Member consistent with procedures and guidelines adopted by the Board and approved by the Department.

- a. The Association shall provide notice of the suspension or termination to the affected Member, who within thirty (30) days after such notice has been sent, may petition the Board for review and reconsideration of the suspension or termination. Upon review, the Board of Directors may, in its sole discretion, reinstate such Member.

- b. At any time a member of the Board of Directors may make a motion to reinstate a suspended or terminated Member, who may be reinstated upon a sustaining vote by the Board and upon such terms as the Board of Directors may decide in its sole discretion.

5.05 Membership Meetings.

- a. **Annual Meetings.** An annual meeting of the Members shall be held each calendar year on such specific date, time and place as the Board shall determine. Notice of such annual meeting shall be given to each Voting Member in the manner provided for in Section 11.08 hereof. All other members shall receive notice of such Annual Meeting in the manner determined by the Board.
- b. **Special Meetings.** A special meeting of the Voting Members may be called by the President of the Board upon the affirmative vote of a majority of the Board members. The time and place of such special meeting shall be determined by the Board, and notice of such meeting shall be given to each Voting Member at least five (5) business days in advance of such meeting in the manner provided for in Section 11.08 hereof. No business shall be transacted at a special meeting other than that described in the notice.
- c. **Delegates.** Each Voting or Non-Voting Member may send any number of delegates to any Annual or Special meeting. All properly registered delegates shall be entitled to attend meeting sessions and presentations open to all Members, and to participate in all discussions at such meetings; provided, however, that only Voting Members, including their designee as set forth in Section 5.02 hereof, shall be entitled to vote at such meetings.
- d. **Quorum.** At any meeting of the Members, a majority of the Voting Members present in person or by proxy shall constitute a quorum for the transaction of business; provided that twenty-five percent (25%) of the Voting Members may adjourn such meeting to reconvene at a time and place designated in the resolution of adjournment. Any meeting may be adjourned from time to time without notice to the Members in the absence of a quorum.
- e. **Proxies.** A Voting Member may authorize another person or persons to act on the Voting Member's behalf by written proxy in the manner set forth, and subject to the provisions of the Pennsylvania Associations Code.
- f. **Electronic Communications.** Any Member may participate in any meeting of the Members in the manner set forth in the Pennsylvania Associations Code.

ARTICLE VI
BOARD OF DIRECTORS

6.01 Qualifications of Directors. The Association shall be governed by a Board of Directors, comprised exclusively of individual members, or the designee of an Entity Member, in good standing.

6.02 Election, Number and Term of Directors.

- a. Directors shall be nominated by the Nominating Committee and elected by a majority vote of the Members at each Annual Meeting of the Members. The specific procedures, criteria and guidelines for the Nominating Committee's process shall be set forth in a Charter and formal policies approved by the Board.
- b. The Board of Directors may be comprised of no less than nine (9) and no more than thirteen (13), and may include no more than two (2) Non-Voting Associate Members, or such other number as may be determined from time to time by resolution of the Board.
- c. Each Board member shall be elected to hold office for a three-year term. Beginning in 2017 no more than one-third of the Board of Directors' terms shall expire in any one year. Individuals placed on the ballot for 2017 may serve a lesser term in order that no more than one-third of the Board of Directors' terms shall expire in any one year.
- d. There shall not be more than one Member on the Board from any one Entity Member. If at any time or for any reason there shall become two or more Board Members who are affiliated with one Entity Member, one of the Board Members will be required to resign immediately. Until such resignation is noticed to the Board in writing, such Board Members are disqualified from participating in any Board action.

6.03 Powers of the Board. The Board shall have full power to conduct, manage, and direct the business and affairs of the Association, and all powers of the Association are hereby granted to and vested in the Board of Directors, except as otherwise provided in these Bylaws or by law.

6.04 Termination.

All Board members, other than the Non-Voting Associate Member Board members, must maintain an active surplus lines license in good standing throughout their entire term on the Board, and their position on the Board shall automatically terminate upon such license becoming inactive. Any Board member may resign at any time by giving written notice to the President, Secretary, or to the Board of Directors. Such resignation shall take effect at the time specified therein, or if no time is specified, at the time of acceptance thereof as determined by the

President. Any Board member may be removed for cause upon the vote of the other members of the Board at a regular or special meeting of the Board of Directors.

6.05 Vacancies.

A vacancy on the Board may be created by the death, resignation, disqualification or inability of a Director to serve, or by an increase in the number of Directors, as determined by the Board. All such vacancies shall be filled by a vote of the majority of the remaining Board members, though less than a quorum, and each person so appointed shall be a director until the expiration of the term of office he or she was appointed to fill. If a vacancy occurs on the Board within 60 days prior to the Annual Meeting of the Members, the Board may defer the appointment of a successor for a period of time not to exceed 90 days after the date of death or disability of such director, in which case the vacancy may be filled in the manner set forth in Section 6.02.a.

6.06 Meetings.

- a. **Annual Meeting.** An organizational meeting of the Board of Directors may be held immediately following the Annual Meeting of the Members without the necessity of notice to the Directors. The Directors may also meet at such time and place as may be fixed by either a notice or waiver of notice or consent signed by all Directors.
- b. **Regular Meetings.** Regular meetings of the Board of Directors may be held without specific notice at the principal office of the Association or at such place(s) and time(s) as the Board of Directors may from time to time designate.
- c. **Special Meetings.** Special meetings of the Board of Directors may be called by the President upon one (1) day's notice to each Director, or by the President upon the written request of a majority of the Directors. Notice of any special meeting shall be in the manner set forth, and subject to the provisions of the Pennsylvania Associations Code.
- d. **Quorum.** At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Directors present at such a meeting shall be the acts of the Board of Directors, except as may be otherwise specifically provided by law, the Amended and Restated Articles of Incorporation, or these Bylaws. If a quorum shall not be present at any meeting of the Board, the Directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or as permitted herein.

Notwithstanding the foregoing, an affirmative vote of a majority plus one of all Board Members shall be required to: (i) hire or dismiss the Executive Director of

the Association; (ii) remove any Director or Officer of the Association; (iii) establish any position of Officer of the Association in addition to those established by these Bylaws; (iv) approve contracts with an annual obligation of \$50,000 or more; (v) propose a schedule of stamping fees for approval to the Pennsylvania Insurance Department; (vi) authorize the borrowing of money; (vii) propose and adopt amendments to the Bylaws; or (viii) authorize bank signatories for Association accounts.

- e. **Proxies.** General voting rights of a Director shall not be delegated to another person nor exercised by proxy. However, nothing herein shall prevent a Director from casting a vote by mail, fax or email in accordance with policies and procedures established from time to time.
- f. **Director Participation.** If any Director shall be absent from three (3) consecutive regular meetings of the Board of Directors during a single administrative year, the Board of Directors shall consider the reason for the Director's absence and, after such consideration, may by affirmative vote of a majority of the other members on the Board consider the absentee Director's seat to be deemed vacant, which case the vacancy shall be filled as provided for herein.
- g. **Electronic Participation.** Any Director may participate in any meeting of the Board of Directors or any committee thereof in the manner set forth in the Pennsylvania Associations Code.

6.07 Ratification. Notwithstanding anything to the contrary contained herein, any action that may be taken at a meeting of the Directors or any committee thereof may be taken without a meeting, but only if a consent or consents in writing setting forth the action so taken shall be signed by all of the Directors or members of the committee, as the case may be, and be filed with the Association's Secretary.

6.08 Compensation. Directors shall not receive any compensation for their services; however, the Association may reimburse them for documented travel and other reasonable out-of-pocket expenses.

ARTICLE VII

ELECTED OFFICERS

7.01 Elected Officers. The Elected Officers of the Association shall include a President, Vice President, Secretary and Treasurer, and such additional officers as may be established by the Board. All officers of the Association shall be elected by the Board among the Board members in office at the first meeting of the Board following the Annual Meeting of the Members.

7.02 Term and Succession. The Elected Officers shall each serve for a term of one year. The President shall be elected to serve in that office no more than three (3) consecutive terms. Service as an Officer of the Association shall not toll an Officer's service as a Board member. No Elected Officer may concurrently hold more than one office.

7.03 Compensation. The Elected Officers shall receive no compensation for their service; however, the Association may reimburse them for documented travel and other reasonable out-of-pocket expenses.

7.04 Vacancy. In the event of a vacancy in the office of the President, the Vice President shall succeed to the office of President. Vacancies in all other offices shall be filled by the Board.

7.05 Absence. During the temporary absence of any Elected Officer at a meeting, the next Elected Officer in rank shall assume the absent Officer's duties.

7.06 Duties. The Elected Officers shall have the following rights and responsibilities:

a. President

1. The President shall be the chief executive officer of the Association; shall preside at meetings of the Members, the Board of Directors and the Executive Committee; and shall be a member ex officio, with the right to vote, on all Board committees and working groups.
2. The President shall also, at the Annual Meeting and at such other times as the President shall deem proper, communicate to the Members or the Board of Directors such matters and make such suggestions to better promote the welfare and increase the usefulness of the Association.
3. The President shall perform such other duties as are necessarily incident to the office of President or as may be prescribed by the Board. The President shall not be responsible for the daily administrative responsibilities in the management and conduct of the affairs of the Association.

b. Vice President

1. The Vice President shall act in the absence or inability of the President.
2. The Vice President shall perform such other duties as may be assigned by the President, Board of Directors or Executive Committee.

c. Secretary

The Secretary shall attend all meetings of the Board of Directors and of the Members, and keep accurate records thereof in one or more minute books kept for that purpose and shall perform the duties customarily performed by a secretary of an association and such other duties as may be assigned by the Board or the Executive Committee. The Secretary shall not be responsible for any daily administrative responsibilities in the management and conduct of the affairs of the Association.

d. Treasurer

1. The Treasurer shall have the custody of the Association's funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall perform such other duties as may be assigned by the Board of Directors or the Executive Committee. However, the Treasurer shall not be responsible for any daily administrative responsibilities in the management and conduct of the affairs of the Association.
2. At the end of the fiscal year, the Treasurer, shall cause to be prepared an annual report, which shall be audited or subject to a review by a certified independent public accountant, as determined by the Board of Directors. At the expiration of his or her term of office, the Treasurer shall deliver over to his or her successor all books, money, and other property in his or her charge or, in the absence of a successor, the Treasurer shall deliver such items to the President.

7.07 Resignation / Removal.

- a. Any Officer may resign his or her office by giving written notice to the President or Secretary, which resignation shall take effect on the date of the receipt of same, or at any later time specified therein. Acceptance by the Board shall not be required to effect the resignation; nor shall the resignation as an Officer cause such person to be removed from the Board.
- b. The Board may remove an Officer from Office by a vote of a majority of the Board plus one whenever doing so will be in the Association's best interests.
- c. A vacancy in any Office may be created by the death, resignation, removal, disqualification or inability of an Officer to serve, which vacancy shall be filled as set forth in Section 7.04 hereof.

ARTICLE VIII
COMMITTEES

8.01. Executive Committee. There shall be an Executive Committee of the Board consisting of no fewer than three (3) Directors, including the President and Vice President. Other members of the Executive Committee shall be appointed by majority vote of the Directors. The Executive Committee shall, between meetings of the Board of Directors, exercise the powers of the Board of Directors on all matters except as otherwise set forth herein. Actions by the Executive Committee shall be reported to the Board of Directors for ratification. The President shall call meetings of the Executive Committee as the business of the Association may require, or upon request of a majority of the members thereof.

8.02 Standing Committees. The following standing committees of the Board of Directors are hereby established: Nominating Committee and Finance Committee. Each standing committee shall operate within the procedures or guidelines established by the Board, in its discretion, and have at least three (3) members, a majority of which shall be Directors. The Board of Directors may designate one or more Directors as alternate members of any standing committee, who may replace any absent or disqualified Director at any standing committee meeting.

a. **Nominating Committee.**

The President shall appoint the members of the Nominating Committee, which shall include but not be limited to the President, the Vice President and one other Director. Any remaining committee member must be a Voting Member of the Association in good standing. The Nominating Committee will be chaired by the President, and shall upon the call of the President consider candidates for the Board of Directors prior to the Annual Meeting and present nominations for all Directors to be elected at the Annual Meeting of the Members and for all Officers to be elected as set forth herein.

b. **Finance Committee.**

The President shall appoint the Board Treasurer as Chair of the Finance Committee, which shall consider and make recommendations to the Board regarding, among other things, the Association's finances, proposed budgets, proper investment strategies and work with the accountants on audit issues in order to comply with governmental regulations. The remaining members of the Finance Committee shall be Voting Members of the Association in good standing.

8.03 Other Committees and Working Groups. The Board of Directors may establish such other committees or working groups comprised of at least one member of the Board of Directors, which shall operate within the guidelines and procedures established by the Board. The Board of Directors shall fix the number of members, their qualifications to serve, length of term and duties for each committee established. No committee shall exercise any powers or have any authority vested in the Board of Directors. All committees and working groups shall have a

clearly enunciated purpose or mission and minutes of all meetings shall be filed and retained chronologically with Board minutes.

8.04 Quorum and Call of Meetings. A majority of the members of the Executive Committee, Standing Committee, or any other committee or working group shall constitute a quorum at any duly called meeting thereof, and a majority of those present shall be the acts of such committees. Any member of a committee may participate in any meeting in the manner set forth in the Pennsylvania Associations Code.

ARTICLE IX

APPOINTED OFFICERS

9.01 Appointed Officers. The Board of Directors shall appoint an Executive Director of the Association and such other officers as the Board of Directors may determine. The Board of Directors shall fix the terms of employment and compensation for the appointed officers.

9.02 Duties.

- a. **Executive Director.** The Executive Director shall be the chief operating officer of the Association and shall have responsibility for the supervision of the activities of the Association, subject to the control of the Board of Directors, the President and the Executive Committee. With delegation from the President, the Board or the Executive Committee, the Executive Director may sign, execute and acknowledge, in the name of the Association, all legal documents authorized by the Board, except as otherwise set forth herein. It shall be the duty of the Executive Director to implement the policies and directives of the Board and any contractual obligations of the Association. The Executive Director shall report to the President and the Board of Directors on the activities of the Association within his/her supervision when requested.

The Executive Director shall have general charge of the facilities and operations of the Association and shall employ, supervise, terminate and fix the compensation of the employees of the Association within the approved budget. The Executive Director shall be a non-voting, ex-officio member of the Board of Directors and the Executive Committee. In the event of the Executive Director's temporary disability, the Executive Committee shall designate an Acting Executive Director to perform the Executive Director's duties.

- b. **Other Appointed Officers.** With the approval of the Board of Directors, the President shall assign activities to the appointed officers who shall report, and be responsible, to the President.

ARTICLE X

LIMITATION OF LIABILITY AND INDEMNIFICATION

10.01 Indemnification. To the fullest extent permitted by Pennsylvania law, no director of the Association shall be personally liable for monetary damages as such for any action taken or any failure to take any action unless: (a) the Director has breached or failed to perform the duties of his or her office under the Pennsylvania Associations Code, and (b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness; provided, however, that the provisions of this Article 10 shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or to the liability of a director for the payment of taxes pursuant to local, Pennsylvania or federal law.

10.02 Indemnification of Directors and Officers.

- a. Each Indemnitee (as defined below) shall be indemnified and held harmless by the Association for all actions taken by him or her and for all failures to take action (regardless of the date of any such action or failure to take action) to the fullest extent permitted by Pennsylvania law against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding (as defined below). No indemnification pursuant to this Article 10 shall be made, however, in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted self dealing, willful misconduct or recklessness.
- b. The right to indemnification provided in this Article 10 shall include the right to have the expenses incurred by the Indemnitee in defending any Proceeding paid by the Association in advance of the final disposition of the Proceeding to the fullest extent permitted by Pennsylvania law; provided that, for only so long as Pennsylvania law requires, the payment of such expenses incurred by the Indemnitee in advance of the final disposition of a Proceeding shall be made only upon delivery to the Company of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced without interest if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified under this Article 10 or otherwise.
- c. Indemnification pursuant to this Article 10 shall continue as to an Indemnitee who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators.
- d. For purposes of this Article 10, "Indemnitee" shall mean each director or officer of the Association who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that he or she is or was a director or officer of the Association or is or was serving in any capacity at the request or for the benefit of the Association as a director, officer, employee,

agent, partner, or fiduciary of, or in any other capacity for, another Association or any partnership, joint venture, trust, employee benefit plan, or other enterprise; and "Proceeding" shall mean any threatened, pending or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of the Association), whether civil, criminal, administrative, investigative or through arbitration.

10.03 Indemnification of Employees and Other Persons. The Association may, by action of its Board of Directors and to the extent provided in such action, indemnify employees and other persons as though they were Indemnitees. To the extent an employee or agent of the Association has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter herein, the Association shall indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

10.04 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses provided in this Article 10 shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of the Amended and Restated Articles of Incorporation or Bylaws, agreement, vote of members or Directors, or otherwise.

10.05 Insurance. The Association may purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any expense, liability or loss, whether or not the Association would have the power to indemnify such person under Pennsylvania or other law. The Association may also purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

10.06 Fund for Payment of Expenses. The Association may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations, whether arising hereunder, under the Bylaws, by agreement, vote of members or Directors, or otherwise.

10.07 Binding Effect. The provisions of this Article 10, relating to the limitation of Directors' liability, to indemnification and to the advancement of expenses shall constitute a contract between the Association and each of its Directors and officers that may be modified as to any director or officer only with that person's consent or as specifically provided in this Article 10. Notwithstanding any other provision of these Bylaws relating to their amendment generally, any repeal or amendment of this Article 10 that is adverse to any director or officer shall apply to such director or officer only on a prospective basis, and shall not reduce any limitation on the personal liability of a director of the Association, or limit the rights of an Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment. Notwithstanding any other provision of these Bylaws, no repeal or amendment of these Bylaws shall affect any and all of this Article 10 so as either to reduce the limitation of Directors' liability or limit

indemnification or the advancement of expenses in any manner unless adopted by (a) the unanimous vote of the Directors of the Company then serving, or (b) the affirmative vote of a majority of the members present at any annual or special meeting of the members; provided that no such amendment shall have retroactive effect inconsistent with the preceding sentence.

10.08 Applicable Law. References in this Article 10 to Pennsylvania law or to any provision thereof shall be to such law as it existed on the date this Article 10 was adopted or as such law thereafter may be changed; provided that: (a) in the case of any change that expands the liability of Directors or limits the indemnification rights or the rights to advancement of expenses which the Association may provide, the rights to limited liability, to indemnification and to the advancement of expenses provided in this Article 10 shall continue as theretofore to the extent permitted by law; and (b) if such change permits the Association without the requirement of any further action by members or Directors to limit further the liability of Directors (or limit the liability of officers) or to provide broader indemnification right or rights to the advancement of expenses than the Association was permitted to provide prior to such change, then liability thereupon shall be so limited and the rights to indemnification and the advancement of expenses shall be so broadened to the extent permitted by law.

10.09 Limitations. Notwithstanding any other provision in this Article 10, the Association shall not indemnify any Indemnitee for liability incurred in a Proceeding the Indemnitee either initiated (not including counterclaims) or participated in as an intervenor or *amicus curiae* unless the initiation of, or participation in, the Proceeding is authorized either before or after its commencement by the Board of Directors.

ARTICLE XI

MISCELLANEOUS

11.01 Amendments.

- a. **Changes by the Board.** These Bylaws may be amended at any time by a majority plus one vote of the Board of Directors for one or more of the following purposes, provided that written notice of the proposed amendment and the wording thereof, shall have been provided to each member of the Board of Directors at least thirty (30) days prior to the meeting at which a vote on the amendment is to occur: (i) to cure any ambiguity, defect or omission in these Bylaws; or (ii) to change or modify any provision of these Bylaws to comply with any applicable law, regulation, administrative ruling or Department directive that may be in effect.
- b. **Changes by the Membership.** Subject to the Department's approval, the Membership shall, by a two-thirds (2/3) vote of a majority, consent to and approve any amendments to the Bylaws other than those set forth in section 11.01.a. above, that have been approved by a majority plus one vote of the Board of Directors and presented to the Membership, subject only to the limitations contained in Section c. hereof. Written notice of the proposed amendment and the wording thereof shall be

provided to each Voting Member at least thirty (30) days prior to the meeting at which a vote on the amendment is to occur.

- c. **Limitation on Amendments.** No amendment shall be adopted that would render the Association non-compliant with applicable law, alter the basic purpose of the Association, or violate the Association's agreement with the Department.

11.02 Assignment. No person or entity may assign any right, claim or interest it may have under these Bylaws.

11.03 Construction. These Bylaws shall be governed by the laws of the Commonwealth of Pennsylvania.

11.04 Severability of Invalid Provisions. If any one or more of the provisions contained in these Bylaws shall for any reason be held to be invalid, illegal or unenforceable in any respect, such provision or provisions shall be deemed severable from the remaining provisions contained herein, and such invalidity, illegality or unenforceability shall not affect any other provision hereof and the remaining parts of these Bylaws shall be construed so as to give practical realization to the purposes intended to be achieved by the parties as if such invalid or illegal or unenforceable provision had never been contained herein.

11.05 Fidelity Bonds. The Elected Officers, the President and employees of the Association shall, at the expense of the Association and in the Board's sole discretion, give such bond, if any, for the faithful performance of the duties of such office or position.

11.06 Fiscal and Administrative Year. The Association's fiscal year shall begin on the first day of January of each year and conclude at the close of business on the thirty-first day of December of each succeeding year. The administrative year for purposes of setting the terms of office for the Elected Officers and Directors shall commence on the date of an Annual Meeting of the Members and terminate upon the election of the Elected Officers and Directors at the succeeding Annual Meeting of the Members.

11.07 Parliamentary Rules. All meetings of this Association, the Board of Directors and all committees shall be conducted in accordance with Robert's Rules of Order, last revised.

11.08 Notices and Waivers Thereof. Whenever, under the provisions of applicable law, the Amended and Restated Articles of Incorporation or of these Bylaws, written notice is required to be given to any person, it may be given to the person in the manner provided for in the Pennsylvania Associations Code.

11.09 Instruments. All checks or demands for money and notes of the Association shall be signed by the Executive Director and or such other persons, if any, as the Board of Directors may from time to time determine. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions,

settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments and documents may be signed, executed, acknowledged, verified, delivered or accepted, on behalf of the Association by the President or such other persons as may be designated by the Board of Directors.

11.10 Dissolution. In the event the Association is dissolved and all its liabilities have been satisfied, the Board of Directors shall determine an equitable basis to distribute the remaining assets of the Association to an organization established for the same or similar purpose as the Association, or to any other educational, charitable or other such organization as qualifies pursuant to Section 501(c) of the Internal Revenue Code.

ARTICLE XII

RESPONSIBILITIES TO THE PENNSYLVANIA INSURANCE DEPARTMENT

12.01 Agreement with the Department of Insurance. The Association may enter into an Agreement with the Department to provide assistance and advice in the supervision of the placement of surplus lines insurance with non-admitted insurers in the Commonwealth.

12.02 Stamping Office. Pursuant to the terms of Agreement with the Department, the Association shall establish and operate a Stamping Office, which Office shall: a) receive and maintain all declarations required under the Pennsylvania Surplus Lines Law; b) make provisions for the public inspection of such producer declarations; c) examine declarations for compliance with the Pennsylvania Surplus Lines Law or regulations and policies adopted thereunder; and d) report to the Department declarations which do not appear to be in compliance.

Said Stamping Office shall also, pursuant to the terms of an Agreement with the Department, receive, maintain and provide to the Department, monthly reports and surplus lines tax remittance forms required by the Surplus Lines Law.

12.03 Budget and Fees. Pursuant to Agreement with the Department, prior to September 1, of each calendar year, the Board shall adopt a budget for the operation of the Stamping Office in accordance with Insurance Department guidelines, for the following calendar year. The budget shall be developed in accordance with prudent business practices and reasonable projections of the anticipated volume of surplus lines activity for that period. Following adoption of the budget, the Board shall establish a proposed stamping fee to be charged on all surplus lines placements submitted to the Stamping Office. The budget and proposed stamping fee shall be submitted to the Department for approval in accordance with the terms of the Agreement and shall be effective only upon Insurance Department approval.

12.04 Procedures Manual. The Association shall prepare, distribute and, from time to time as appropriate, update a Procedures Manual setting forth the procedures for the submission of surplus lines documents to the Association Stamping Office. The Association may defer the processing of any surplus lines documents that are not properly submitted in accordance with the Procedures Manual. The Procedures Manual shall include standard form affidavits for

compliance with the Surplus Lines Law and any applicable regulations. The Procedures Manual, and any revisions thereof, shall be subject to the approval of the Insurance Department.

12.05 Audits. While under Agreement with the Insurance Department for the operation of the Stamping Office, the Association shall annually have an audit of its financial statements prepared by a certified public accountant approved by the Insurance Department.

12.06 Examination. While under Agreement with the Department for the operation of the Stamping Office, the Association shall submit to examination by the Insurance Department, at the Association's expense, as the Insurance Department may require.

12.07 Pennsylvania Insurance Department Contract. The Board of Directors, its employees and agents, shall comply with all terms and conditions of the PID Contract and any extension or modification thereof.