



Bulletin 08-13

October 28, 2008

To: All Members
From: Bob Hope, Manager
Re: Revision to Bylaws

Enclosed is the latest revision to the Bylaws as adopted by the Board of Directors.

With the recent addition of non-resident members, we have added a new section to Article 1 - Membership. This change clarifies the voting rights on non-resident members.

If you have any questions, please let me know.

Bylaws of Surplus Line Association of Washington

A Non-Profit Corporation Organized Under the
Laws of the State of Washington

ARTICLE I

MEMBERSHIP

- A. *Members:* Any person, firm or corporation while licensed as a surplus line broker under the laws of the State of Washington, may become a member of the Association upon the approval of such person, firm or corporation for membership by a majority vote of the Board of Directors, in the sole discretion of such Board, and upon the delivery to the Association of a signed membership agreement and upon the payment of an initiation fee in an amount to be established from time to time by majority vote of the Board of Directors.
- B. *Definitions of Resident and Nonresident Members:*
- (a) "Resident" means: (1) any member firm or corporation that maintains an office (i) located in Washington State, (ii) leased or owned by the member firm or corporation, and (iii) staffed by employees of the member firm or corporation who are residents of Washington State; or (2) any individual member who is a resident of Washington State.
 - (b) "Nonresident" means: (1) any member firm or corporation that does not meet the definition of Section (B)(a)(1); or (2) any individual member who does not meet the definition of Section (B)(a)(2).
 - (c) Nonresident members shall have all rights and obligations of members, except that a nonresident member shall not have the right to vote on any matter to be voted on by the members, other than the right to vote with respect to the removal of a Director. The Board of Directors may require such evidence of residency of a member as it shall determine is necessary or appropriate.
- C. *Representation:* Each Resident member that is a corporation or firm shall file in writing with the Association the names of the persons holding a Washington State surplus line broker's license or the persons authorized under the Washington State surplus line broker's license issued to such firm or corporation to act pursuant to such license and shall identify in writing such person who is authorized to vote as the representative of such member firm or corporation in the proceedings of the Association. Each Resident member firm shall have only one vote on any matter requiring a vote of the membership; provided, however, a person may not be authorized to vote for more than one Resident member firm or

corporation. Each Resident individual member who is not a part of a firm or corporation shall have one vote on any matter requiring a vote of the membership; provided, however, no Resident individual member who is a part of a Resident member firm or corporation shall have a vote on any matter except to the extent that the Resident individual member is the authorized person to vote as the representative of the Resident member firm or corporation. With the exception of persons designated to represent a Resident member firm or corporation in accord with the preceding sentence, no member shall be represented by agent, attorney or proxy in the proceedings of this Association.

- D. *Suspension or Expulsion of a Member:* A member may be suspended or expelled from the Association for any of the following causes:
- (a) Violation by the member of any state or federal law (including statutes, rules and regulations governing insurance in the State of Washington) applicable to the conduct of the member.
 - (b) Willful refusal or substantial failure to abide by the articles, bylaws and rules of this Association or to comply with findings or rulings of the Manager.
 - (c) Willful refusal or substantial failure to permit inspection of records as prescribed by rules of this Association.
 - (d) Any other conduct determined by the Board of Directors to be detrimental to the integrity of the insurance business and/or the integrity or reputation of this Association.

No member may be expelled except by vote of a majority of the Board of Directors adopting a finding that one or more of the preceding causes (a)-(d) justifies such suspension or expulsion. Such vote shall be in the sole and absolute discretion of the members of the Board and is not subject to any appeal to any court or other authority.

- E. *Termination of Membership:* Membership in the Association shall terminate for any member:
- (a) Automatically upon termination of such member's license as a surplus line insurance broker in the State of Washington.
 - (b) Sixty days after the member has given written notice to the Association of intent to withdraw from membership.
 - (c) Upon expulsion of the member as provided by these bylaws.
- F. *Statement of Indebtedness Upon Termination:* Upon termination of membership for any reason, the member shall immediately pay in full all indebtedness of the member to the Association; and upon failure to so pay, the Association shall have a cause of action against the former member to recover the amount of such indebtedness.

ARTICLE II

MEETINGS OF MEMBERS

- A. *Annual Meeting of Members:* There shall be one annual meeting of the members which shall be held during the first quarter of each calendar year at a time and place to be determined by the Board of Directors. At least thirty days written notice shall be given to each member of the time and place of such meeting. At such annual meeting the Board of Directors shall be elected for the coming year and the members may take up such other business as may be placed on the agenda of such annual meeting by the Board of Directors. The agenda shall include any matter requested to be included in writing at least 20 days before the meeting by ten or more members of the Association.
- B. *Quorum:* The members in attendance shall constitute a quorum at any meeting of the members of the Association.
- C. *Special Meetings of Members:* Upon motion by the Board of Directors, or upon written request of at least 15% of the members of the Association, the Board of Directors shall, within 60 days of the receipt of such written request, call a special meeting of the members, at a time within such 60 days and at a place designated by the Board of Directors with at least thirty days written notice to all members of such meeting. At any such special meeting, the members may take up any business placed on the agenda by the Board of Directors, which agenda shall include any items requested to be included in writing at least twenty days before the meeting by at least ten or more of the members.

ARTICLE III

BOARD OF DIRECTORS

- A. *General Powers:* The affairs of the corporation shall be managed by its Board of Directors.
- B. *Number of Directors:* The Board of Directors shall be comprised of nine (9) members.
- C. *Eligibility to Serve as a Director:* Only a member or a person authorized under Article I(B) of these Bylaws to represent a member shall be entitled to be a director of this Association.
- D. *Term of Office:* The term of office of each Director shall be to serve from the time of election at an annual meeting to the next annual meeting.
- E. *Vacancies:* Any member may resign from the Board. The Board may declare a vacancy for the remaining term of any Director who misses

three (3) consecutive Board meetings or a total of five (5) Board meetings during one year. Upon either such vacancy, the vacancy shall be filled by a majority vote of the remaining members of the Board. The Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor.

- F. *Meetings of the Board:* Regular meetings of the Board of Directors shall be held in accordance with a schedule adopted by the Board. Special meetings may be called by the president and shall be called by the president upon written request of two or more directors.
- G. *Quorum:* A majority of directors shall constitute a quorum for the transaction of any business except for the adjournment of the meeting to a later time at which a quorum is present.
- H. *Board Action by a Majority Vote:* Any and all action taken or to be taken by the Board shall be by majority of all Board members.
- I. *Place of Meetings:* The Board may designate any location for its meetings.
- J. *Action by Written Consent:* The Board may act by written consent of all Board members without a meeting.
- K. *Compensation for Services as Directors:* There shall be no compensation for services as a Director.
- L. *Reimbursement of Expenses:* The Board may act to reimburse its members for expenses incurred in connection with meetings of the Board or other business of the Association.

ARTICLE IV

OFFICERS

- A. *Officer Positions:* The officers of the Association shall be the President, Vice President, and Secretary/Treasurer.
- B. *Election of Officers:* All officers shall be members of the Board. The officers shall be elected by the Board of Directors annually immediately following the annual meeting of the members.
- C. *Removal:* Any officer elected or appointed by the Board may be removed by a majority vote of the Board whenever in the judgement of the Board the best interests of the Association would be served thereby.
- D. *Vacancies:* A vacancy in office shall be filled by the Board of Directors for the unexpired term so vacated. Any officer may resign from his or her position at any time.

- E. *Duties of President:* The president shall be the principal executive officer of the Board and shall preside at all meetings of the Association and shall be an ex officio member of all committees.
- F. *Duties of Vice President:* In the absence of the president or in the event of the president's inability or refusal to act, the vice president shall perform the duties of the president, and when so acting shall have all the powers and be subject to all the restrictions upon the president.
- G. *Duties of the Secretary/Treasurer:* The secretary/treasurer shall be responsible for the proper accounting of the funds of the Association, shall keep the minutes of all meetings of the Association, the Board of Directors and any committees of the Association. The secretary/treasurer may delegate the duty of keeping all minutes to the Manager.
- H. *Compensation and Reimbursement:* The compensation and reimbursement of expenses of officers shall be governed by the provisions of these bylaws with respect to the compensation and reimbursement of members of the Board.

ARTICLE V

COMMITTEES

- A. *Standing Committees:* The Board, by resolution, may designate one or more standing committees, each of which shall consist of at least one member of the Board. Such resolution shall designate the title of the committee and shall, in a general way, state the purpose, duties and/or functions of such committee. Such standing committees may include one or more members of the Association who are not members of the Board.
- B. *Special Committees:* The president *may* from time to time designate one or more members of the Association (which may be but need not be members of the Board of Directors) to act as a committee to perform such duties, responsibilities and functions as may be designated by the president.
- C. *Executive Committee:* The only permanent committee of this Association shall be the executive committee which shall consist of the officers and which shall have the power to act between Board meetings on the business of the Association with respect to unusual or emergency matters that, in the judgement of the President, should not be deferred until the next Board meeting.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS

- A. To the fullest extent permitted by Chapter 24.03 of the Revised Code of Washington, the personal liability of a director to the corporation and its members shall be eliminated and the corporation shall indemnify any person 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 by reason of the fact that such person is or was a director or officer or the Manager of the corporation, or is or was serving on a duly constituted committee of the corporation by appointment of the Board of Directors and is or was acting in his or her capacity as such ("Committee Member"), or is or was serving at the request of the corporation as a director or officer of another corporation, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement, actually and reasonably incurred by him or her, in connection with such action, suit or proceeding, to the full extent allowed by applicable law.
- B. Reasonable expenses incurred by a director, officer, Manager or Committee Member who is a party to a proceeding may be paid or reimbursed by the corporation in advance of the final disposition of such proceeding:
1. Upon receipt by the corporation of a written undertaking by or on behalf of the director, officer, Manager or Committee Member to repay such amount if it shall ultimately be determined that such person has not met the standard of conduct necessary for indemnification by the corporation as authorized by this section; and
 2. Either:
 - a. After a determination that the information then known to those making the determination (without undertaking further investigation for the purposes thereof) does not establish that indemnification would not be permissible under applicable law; or
 - b. Upon receipt by the corporation of a written affirmation by the director, officer, Manager or Committee Member of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation as authorized in this Article; and
- The undertaking required by paragraph 1 of this subsection shall be an unlimited general obligation of the director, officer, Manager or Committee Member, but need not be secured and may be accepted without reference to financial ability to make the repayment.
- C. The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, Manager or

Committee Member of the corporation or who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her 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 him or her against such liability under the provisions of this Article.

- D. Any indemnification of a director in accordance with this Article, including any payment or reimbursement of expenses, shall be reported to the members, except to the extent such disclosure is prohibited by a court of competent jurisdiction.

ARTICLE VII

MEMBERSHIP AGREEMENT

All members shall sign and be bound by a membership agreement in the form attached to these bylaws as Exhibit A.

ARTICLE VIII

RULES

This Association, its business and the members and their business shall be governed by rules adopted from time to time by a majority vote of the Board of Directors, which rules shall be published to the members by and on behalf of the Board.

EXHIBIT A Membership Agreement

The undersigned, both individually and on behalf of the corporation named below, does hereby agree with the Surplus Line Association of Washington:

- I. To abide by each and every provision of the articles, the bylaws, and any rules adopted pursuant to Article VIII of the bylaws, including without limitation the indemnification obligations contained in such rules.
- II. To pay all dues as assessed by the Board of Directors.
- III. To obey all state and federal laws, rules and regulations governing the business of the undersigned, and any corporation named below.

Dated this _____ day of _____, 20 ____.

Individually

Firm