

BYLAWS

ARTICLE I NAME

The name of this association shall be Alaska Public Entity Insurance, a joint insurance association ("Association").

ARTICLE II DEFINITIONS

The following terms have the following meanings for the purpose of these bylaws:

(a) "Association" or "APEI" means Alaska Public Entity Insurance, a joint insurance association.

(b) "Board" means the Board of Directors of the Association, as provided in the Cooperative Participation Agreement, and as defined in AS 21.76.900(3).

(d) "Cooperative Participation Agreement" means a written agreement entered into by two or more public entities for the purpose of establishing, operating, or participating in a joint insurance arrangement. For the purpose of these bylaws, the phrase does not refer to any specific agreement but is a reference to whichever agreement applies for a particular program or Participant.

(d) "Joint Insurance Arrangement" or "JIA" means a joint insurance arrangement authorized under AS 21.76.010 to enable the participants to pool contributions of public monies, grants, loans, and income from investment of the same in joint insurance funds as are authorized by AS 21.76.010, in order to either assume such risks from losses to the participants as it may determine shall be assumed, or purchase any and all insurance coverage for the participants on a group basis, as authorized by statute.

(e) "Participant" or "participating member" means a public entity that has joined the Association and is in good standing with the JIA, as set forth in Article V, Section 1 below.

(f) "Public entity" means any political subdivision of the state, including any municipality, school district or regional education attendance area, and all agencies or political subdivisions thereof, including without limitation, municipally-owned hospitals, utilities, service areas, port authorities or facilities, airports, and similar entities, agencies or services, or any other public entity as may be permitted to enter into a joint insurance arrangement under AS 21.76.

(g) "Public liability" means any liability to which a political entity may be subject pursuant to the Cooperative Participation Agreement.

(h) The terms "fund" and "joint insurance fund" shall have the meanings ascribed to those terms in AS 21.76.900.

ARTICLE III PURPOSE AND OBJECTIVES

Section 1 - General Purposes. These bylaws are promulgated to create a joint insurance arrangement which may establish and operate such joint insurance funds under the Association as permitted by Alaska statutes and as an essential governmental service to Participants.

Section 2 - General Objectives. The general objectives of the Association are to formulate, develop and administer a joint insurance arrangement for the Participants, to facilitate the availability of adequate coverage for, without limitation, property and liability, automobile and workers' compensation, and such lines as are authorized by statute and the Board, to lower costs and assure availability of such coverage, to provide a program of loss control services, and to provide claims administration and covered insurance claim defense services. Risks which may be pooled include, but are not limited to, comprehensive property and liability, personal injury, errors or omissions, contractual liability, automobile liability, automobile physical damage, and workers' compensation. The joint insurance arrangement shall not be for disability insurance, health insurance, life insurance or title insurance, so long as such insurance is prohibited by AS 21.76.010(b).

Section 3 - Use of Funds. The Association shall be nonprofit and funds in excess of expenses and costs of risk management activities and reasonable reserves, including reserves for contingencies, reserves required by excess insurers or reinsurers, reserves as part of a surplus goal or as required by law, may be used to reduce the cost of insurance or increase risk protection for the Participants; excess funds may, at the determination of the Board, be distributed to the Participants as provided by these Bylaws and the Cooperative Participation Agreement.

Section 4 - Activities of Association/Ownership of Assets. It is intended that the Association shall perform these risk management activities with the assistance and cooperation of its Participants, including pooling of risks, self-insurance management, joint purchase of insurance, claims administration, defense, loss control, and all other related activities which are essential governmental functions of the Participants.

Section 5 - Excess Contributions. The Board shall determine the disposition of excess contributions. Excess contributions are amounts remaining after the loss reserves have been certified as actuarially sound and adequate by a member of the casualty actuarial society. Excess contributions may be used to strengthen the financial condition of the Association or as determined by the Board.

ARTICLE IV NATURE OF THE ORGANIZATION

The Association shall consist of a nonprofit corporation whose members are public entities of the State of Alaska. Participation in the Association commences upon the effective date of any risk coverage provided by the Association, and as provided in the Cooperative Participation Agreement.

ARTICLE V PARTICIPATION

Section 1 - Composition. The Participants of the Association shall be the public entities which complete the form of application that the Board shall specify, and which thereafter complies with the Bylaws of the Association and the Cooperative Participation Agreement.

Section 2 - Membership Classification and Representation. There is one class of members of the Association. Each Member, or Participant, shall be represented at any Participants meeting by a permanent representative designated by each public entity and shall be entitled to vote.

Section 3 - Annual Meetings. Annual meetings of the Participants shall be held on November 1 of each year or as soon thereafter as the Board may determine. The purpose of these annual meetings is for the Board to present an annual report to the Participants concerning the year just ended and to vote on matters on which Participants are entitled to vote. This meeting will include discussion and review of the JIA, and will be open to all Participating Members.

Section 4 - Special Meetings. Special meetings of the Participants may be called at any time by the Board or by the president and shall be called by the Chair/President or Secretary at the written request of Participants holding one-third of the votes entitled to be cast at a meeting, based upon the weighted vote formula set out in Section 9 below.

Section 5 - Place of Meetings. All meetings of the Participants shall be held at such place in the State of Alaska as shall be designated in the notices or waivers of notice of such meetings, as determined by the Board.

Section 6 - Notice. Written notice of each meeting of Participants, whether annual or special, stating the time and place where it is to be held, shall be served either personally or by mail, fax, email or other form of electronic written communication, not less than 10 nor more than 50 days before the meeting. Notice of a special meeting shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. Each notice shall be directed to the representative of each Participant at his or her address as it appears on the application to participate in the Association, unless he or she shall have previously filed with the Administrator a written request that notices be sent to some other address, in which case it shall be sent to the address designated in such request. The purpose of the meeting need not be specified in the notice.

Section 7 - Quorum and Proxy. Participants in good standing holding one-tenth of the votes entitled to be cast, represented in person or by proxy, constitute a quorum at a meeting of the Participants. A proxy shall be counted only for purposes of establishing a quorum and voting on issues specifically set forth in the proxy. As to matters not specifically set forth in a proxy, the majority vote of the entire membership of Participants based upon the weighted vote formula set out in Section 9 below shall be required for passage. No quorum shall be required to conduct a meeting of Participant members at which no vote is taken.

Section 8 - Cancellation of Participation. A Participant's membership in the Association shall be cancelled upon the failure of a Participant to pay a premium when due for any contract of insurance obtained pursuant to the Cooperative Participation Agreement.

Section 9 - Voting Rights. A weighted system for voting has been established, based on the total premium of each Participant. This system of voting shall be used for any corporate action to be taken by the Association, including election of those directors who are elected by the Participants. Allocation of votes to each Participant is as follows:

<u>Participant's Percent of Total Premium</u>	<u>Votes</u>
Above 10%	5
5% to 10%	4
Above 2% but less than 5%	3
1% to 2%	2
Less than 1%	1

All corporate actions by members shall be determined by a majority of the votes cast at a meeting of the Participants.

ARTICLE VI BOARD OF DIRECTORS

Section 1 - Function. The Association shall be governed by a board of directors. The Board shall operate the Association and administer the joint insurance arrangement on behalf of the Participants pursuant to these bylaws and the Cooperative Participation Agreement.

Section 2 - Membership and Term of Office.

- (a) The Board shall consist of the following members:
 - (i) Ten directors shall be appointed by the Board, no fewer than seven of whom shall be representatives of participants. Consideration shall be given to geographic and population distribution when appointing directors.

- (ii) In appointing directors to the Board, the Board may request that a Participant designate a representative to be a director, and the Participant shall so designate a representative director.
- (iii) Staff will refrain from promoting any candidate for election or appointment to the Board, but may solicit candidates from pool members for presentation to the Board.

(ii) The executive director of the AASB shall be a voting member of the Board.

(b) The term of office for appointed directors shall be three years. The terms shall be staggered in such a manner that, as nearly as practicable, one third of the Board is appointed each year.

Section 3 - Officers of the Association.

(a) **Chair/President and Vice Chair.** The Board shall elect a Chair/President and Vice Chair of the Association at its first regular Board meeting following the annual Participants meeting of each calendar year. In the event the Chair/President or Vice Chair so elected ceases to be a member of the Board, the resulting vacancy in the office shall be filled at the next regular or special meeting of the Board held after such vacancy occurs. In the absence or inability of the Chair/President to act, the Vice Chair shall act as Chair/President. The Chair/President, or in his or her absence the Vice Chair, shall preside at and conduct all meetings of the Board and the Participants, and shall be a member and the Chair of the Executive Committee.

(b) **Executive Director:** The Executive Director shall be appointed by the Board and serve at the pleasure of the Board. The Executive Director shall serve as the Administrator (as that term is defined in AS 21.76.900) of the Joint Insurance Arrangement and shall have the general administrative responsibilities for the activities of the Joint Insurance Arrangement, including the hiring of all employees and contractors necessary to carry out those responsibilities. The Executive Director is not a director.

(c) **Treasurer.** The Treasurer shall be appointed by the Board and shall not be a member of the Board. The Treasurer shall have the custody of and disburse the Association's funds in accordance with Board policies. The Board shall periodically approve authorized signatories and shall grant authority to the Treasurer to delegate the signatory function.

(d) **Secretary.** The Secretary of the Board shall be appointed by the Board and shall be a person other than the Chair/President or Vice Chair, and need not be a member of the Board. The Secretary shall be responsible for keeping and maintaining minutes of the meetings of the Participants and Board of the Association, and other records, contracts, and documents pertaining to the Association. The office of Secretary and Treasurer may be combined and held by one person.

Section 4 - Quorum. At all meetings of the Board, the presence of a simple majority of the membership of the Board shall constitute a quorum. The act of the majority of

directors present at a meeting at which a quorum is present is the act of the board of directors, except as to those matters for which a greater majority is specified in these bylaws, or required by law or contract.

Section 5 - Meetings. The Board shall meet at least twice annually and at such other times as determined by the Board. Special meetings shall be held whenever called by the Chair/President or at the request of four directors.

The Board of the Association shall cause minutes of regular and special meetings to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each member of the Board. Copies of the minutes shall be made available to each Participant upon request.

Section 6 - Notice. Written or telephonic notice of at least ten working days shall be sent to each director prior to any meeting, unless waived. Notice shall be deemed given on the day notice is sent. Telephonic notice shall be confirmed by letter, fax, email or other comparable electronic or written communication. Any director may waive notice in writing either before or after the date of the meeting, and if such waivers are received from all directors not present, any action taken at the meeting shall be valid as though due notice had been given.

Section 7 - Open Meetings. Meetings of the Board shall be open to all Participating Members, except the Board may hold closed, executive sessions for claims, personnel, litigation or any matter the immediate knowledge of which would adversely affect the finances of the JIA or any of its Participants, or subjects that tend to prejudice the reputation and character of any person, or matters which are required to be confidential by law.

Section 8 - Telephonic Meetings. Any meeting that has been duly noticed and could properly be held by directors attending in person may be conducted via conference telephone or similar means of simultaneous electronic communication.

Section 9 - Vacancy. Any vacancy on the Board occurring by reason of an increase in the number of directors or the death, resignation, disqualification, removal or inability to act of any director or otherwise, shall be filled for the unexpired portion of the term by a majority vote of the Board, at any regular or special meeting of the Board.

Section 10 - Resignation. Any director may resign at any time by giving written notice to the Board. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board, and the acceptance of such resignation shall not be necessary to make it effective.

Section 11 - Removal. Any director may be removed with or without cause at any time by the majority vote of the Participants made at a regular or special meeting of Participants.

Section 12 - Compensation. The directors shall serve without compensation, but shall be entitled to reimbursement of actual and reasonable expenses incurred in the

performance of their official duties upon approval of the Board. The Association reserves the right to establish policies to cover travel expenses and per diem rates.

Section 13 - Bonding. The Board may obtain and expend Association funds to maintain such fidelity bonding or employee or directors' errors and omissions, malfeasance or misfeasance insurance coverage as is deemed appropriate.

ARTICLE VII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The Board is ultimately responsible for establishing the pool's goals and objectives and in making policy decisions on behalf of the pool members. The Board may establish and manage any joint insurance funds, pools, policies and other services contemplated in these bylaws, and may:

(a) enter into any contract for the purpose of underwriting, administering or providing any services to the joint insurance funds or their Participants, policies or services contemplated in these bylaws;

(b) incur expenses, acquire and hold property, and enter into agreements necessary to accomplish the purposes of these bylaws;

(c) provide for annual audit of the books of the Association by a certified public accountant and provide a copy of such audit to each Participant, to the Legislative Budget and Audit Committee pursuant to statute, and to the Alaska Division of Insurance; and

(d) exercise all of the powers necessary or desirable to carry out the purposes of the Association or the specific powers enumerated in this article.

ARTICLE VIII ADMINISTRATION

Section 1 - Executive Director. The Board shall appoint an Executive Director to serve as chief executive officer of the Association. The Executive Director shall have the general supervisory control over the day-to-day decisions and administrative activities of the Association. The Executive Director shall seek guidance and direction from the Board on matters of policy, and will provide policy proposals, recommendations, information and advice to the Board for making policy decisions.

Section 2 - Employees/Contracts for Services. The Executive Director may appoint such other officers or employees and employ or contract with the AASB or other persons or entities for such administrative, planning, research or either services upon such terms as may be necessary or in the Executive Director's judgment desirable to carry out the purposes of the bylaws and of the Cooperative Participation Agreement. Those so appointed shall be responsible for implementing and upholding policies and decisions adopted by the Board, without interference.

Section 3 - Hiring of Employees. The Executive Director shall have the power to hire such persons as the Board authorizes for the administration of the Association.

Section 4 – Service Provider Rights.

_____ (a) Those providing services to the Association can expect to have a written service agreement, specifying all terms and conditions of their contractual relationship.

(b) Those providing services to the Association will only be expected to provide services contained within the scope of their service agreement.

(c) Those providing services to the Association will be paid in a timely manner for services rendered in accordance with the provisions of their service agreement.

ARTICLE IX COMMITTEES

Section 1 – Executive Committee. The Board may appoint an Executive Committee of the Board which shall consist of an odd number of not less than three nor more than five directors and/or officers, as determined by the Board. Two of the members of the Executive Committee, if established, shall be the Chair/President of the Board and the Vice-Chair; the remainder of the members shall be elected by the Board at the same time the officers of the Board are elected at the annual Association meeting each calendar year. The Chair/President of the Association shall serve as the Chair of the Executive Committee. The Board may delegate powers of the Board to the Executive Committee as it deems appropriate.

The Executive Committee may not take any action contrary to previous action of the full Board, nor make any decisions that would require an amendment of, or be inconsistent with, the Articles of Incorporation of the Association, the Bylaws, or the Cooperative Participation Agreement. The Board may review all acts of the Executive Committee and shall have the power to modify and/or override any decision or action of the Executive Committee upon a majority vote of the Board.

Section 2 – Budget and Audit Committee. The Board shall appoint a Budget and Audit Committee of the Board. The Committee shall meet periodically to review financial information regarding the corporation, including financial statements, investment reports, audits, and the annual budget and any amendments thereto, and shall make reports and recommendations for action to the Board based upon such review.

Section 3 – Other Committees. The Board Chair/President may appoint such other committees from time to time as appropriate to assist the Board in its business. Such committees may consist of board members and non-members and shall meet for the purposes identified by the Chair/President.

ARTICLE X
LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS,
EMPLOYEES AND AASB

Section 1 – Statutory limitation of liability. The personal liability of the members of the Board to the corporation for monetary damages are limited or eliminated to the fullest extent permitted by law. This provision does not eliminate the liability of a director for: a) a breach of the duty of loyalty to the Association; b) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; or 3) a transaction from which the director derives an improper personal benefit.

Section 2 - Indemnity. The members of the Board and officers and employees of the Association shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties for the Association. No director, officer or employee shall be liable for any action taken or omitted by any other officer, director, or employee. The Association shall defend, indemnify and hold harmless each director, officer, and employee for expenses, including attorney's fees, and the amount of any judgment, money decree, fine, penalty or settlement for which he or she may become liable by reason of his or her being, or having been, a director, officer or employee of the Association who exercises powers or performs duties for the Association, except in relation to matters as to which said director, officer or employee is finally adjudged in any action, suit or proceeding to be liable for failure to act in good faith in the performance of his or her duties as such director, officer, or employee.

Section 2 - Payment in Advance. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Association.

Section 3 - Non-exclusivity. 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 agreement, vote of Participants or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 4 - Insurance. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the person's status as such, whether or not the Association would have the power to indemnify that person against liability under the provisions of this Article.

ARTICLE XI
CONFLICT OF INTEREST

Section 1 – General Policy. All matters of procurement, personnel administration and outside contracting will be administered on the basis of merit so that fairness and impartiality govern all governance and management decisions.

1. Section 2 – No Solicitation of Gifts. No member of the Board or staff will solicit a personal gift of any value from any third-party performing work on behalf of or in any way associated with APEI. No service provider will be expected to provide gifts, perks, or other benefits to Board members or staff as a condition of doing business with the corporation.
2. Section 3 – Conflicts of Interest Avoided. Conflicts of interest by the Board or staff will be avoided and where present will be fully disclosed, including any situation where a board member's or staff's personal interests, including those of any immediate family member, are contrary to the board member's or staff's loyalty to the corporation.

ARTICLE XII
FISCAL YEAR

The fiscal year of the Association shall commence July 1 of each year and end on June 30, or as determined by the Board.

ARTICLE XIII
WITHDRAWAL FROM PARTICIPATION

A Participant may withdraw from the Association, subject to the provisions of these bylaws and of the Cooperative Participation Agreement. A Participant who withdraws from the Association must give written notice to the Association of intent to withdraw at least 90 days prior to insurance policy expiration.

ARTICLE XIV
DISSOLUTION

In the event of dissolution of the Association, payment or provision for payment of all debts, claims and liabilities shall be made and the assets of the Association shall be distributed as provided in the Cooperative Participation Agreement.

ARTICLE XV
AMENDMENTS

These bylaws may be altered, amended or repealed by a majority vote of the Board at any regular or special meeting of the Board. The Board shall also have the right from

time to time to adopt new bylaws provided the same are not inconsistent with the corporation's Articles of Incorporation or any amendments thereto.

**ARTICLE XVI
OFFICE**

The principal office of the Association shall be at 2233 Jordan Creek Avenue Juneau, Alaska 99801. The Association may also maintain offices at such other places within or without Alaska as the Board may from time to time determine.

**ARTICLE XVII
OFFICIAL SEAL**

The Board of the Association may adopt an official seal in such form as it may determine which seal may be affixed to official documents of the Association.

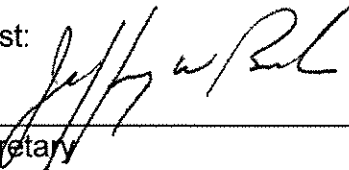
The undersigned certifies the foregoing bylaws have been adopted as the bylaws of the Association.

Dated this 19th day of October, 2007.



Chair

Attest:



Secretary