



---

Exhibit "A"

# BYLAWS

## TABLE OF CONTENTS

PREAMBLE.....	1
ARTICLE I BOARD OF DIRECTORS .....	1
ARTICLE II RULES OF THE BOARD OF DIRECTORS.....	3
ARTICLE III RIGHTS OF THE BOARD OF DIRECTORS .....	3
ARTICLE IV OFFICERS.....	5
ARTICLE V MANAGER.....	6
ARTICLE VI MEMBERSHIP IN THE AUTHORITY .....	6
ARTICLE VII FINANCE .....	7
ARTICLE VIII INVESTMENT OF FUNDS.....	9
ARTICLE X ACCOUNTS AND RECORDS.....	10
ARTICLE XI RISK MANAGEMENT .....	10
ARTICLE XII WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP.....	10
ARTICLE XIII DISPOSITION OF PROPERTY AND FUNDS .....	12
ARTICLE XIV AMENDMENT.....	12
ARTICLE XV SEVERABILITY.....	12
ARTICLE XVI EFFECTIVE DATE .....	12
ARTICLE XVII DEFINITIONS.....	13

## **BYLAWS**

### **BLUEGRASS RISK MANAGEMENT**

#### **PREAMBLE**

Bluegrass Risk Management (the "Authority") was established pursuant to the terms of a Joint Exercise of Powers Agreement (the "Agreement") by and among its public agency members (the "Members") for the purpose of providing the services and other items necessary and appropriate for the establishment, operation, and maintenance of a joint program for liability and property damage protection for the public agencies who are Members hereof, and to provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding pooled coverage and group purchase insurance and reinsurance programs. Pursuant to the terms of the Agreement, the Authority has adopted these Bylaws (the "Bylaws") to apply to and govern the Authority and its Members.

#### **ARTICLE I BOARD OF DIRECTORS**

- A. A Board of Directors is hereby established to direct and control the Authority.
- B. The initial Board of Directors shall be comprised of a representative from the first five Members to join the Authority. Each Member with a representative on the Board of Directors shall also designate an alternate representative that is authorized to act in the event of the temporary absence of the appointed Director. Notification of any changes in a Member's Director or alternate must be made in writing, to the Manager, within thirty days of said change. Said Director and alternate must be authorized agents of the Member and shall serve at the pleasure of the Member by whom appointed. Only the designated Director or alternate may represent a Member. The designated Director or alternate may invite members of their agencies' staffs or consultants to attend meetings of the Board of Directors in an advisory capacity only.

- C. The Board of Directors shall hold quarterly meetings with a minimum of at least two regular meetings each fiscal year. These meetings will be held on any day that is convenient to the Directors. It shall be the duty of the secretary to cause notice of such meetings to be given as hereinafter provided. The President or the Directors calling the meeting shall fix the time and place for the holding of the meeting. All meetings of the Board of Directors shall be called, held, and conducted in accordance with the terms and provisions of the Kentucky Open Meeting Law (Sections KRS 61.800 of the Kentucky Open Records and Open Meetings Act), as said Act may be modified by subsequent legislation, and as the same may be augmented by rules of the Board of Directors not inconsistent therewith. The Board may hold additional meetings as determined by the Board and consistent with the Kentucky Open Meeting Act. Except as otherwise provided or permitted by law, all meetings of the Board are open and public. The Board of Directors will cause minutes of its meetings to be kept and post the true and correct copies of the minutes of such meetings after Board approval.
- D. The Board of Directors, by resolution, shall designate a specific location at which it will receive notices and, correspondence, establish (and dissolve) operating committees and establish the authority granted to such committees and their operating policies. The President shall appoint the Chairperson and Vice Chairperson. Members of each committee will be appointed by the respective Committee Chairperson.
- E. The Board of Directors may establish, revise and discontinue policies related to the operation of the Authority and such policies are binding upon the Members upon approval unless otherwise specified by policy by the Board of Directors and publication to the Members.
- F. The Board of Directors shall approve annual budget, expenditures and overall program costs including all reinsurance. The Board of Directors will also review and ultimately approve any recommended assessments, if necessary or appropriate, to allow for increased costs and expenses that may occur. Assessments, if ever deemed necessary will be calculated as reflected in ARTICLE VII. The Board of Directors shall insure that a complete and accurate system of accounting of the General Fund is maintained at all times consistent with established auditing standards and accounting procedures.
- G. The Board of Directors shall review the coverages that are provided to Members through the Memorandum of Coverage/Reinsurance Policies and establish policies and procedures for claims administration. .
- H. The Board of Directors shall review the history of claims paid under the Memorandum of Coverage and annually develop a plan for the prudent risk-transfer of potential claims

payable by the Authority under the Memorandum of Coverage, including the claims that may be covered by other insurance, reinsurance or other risk transfer arrangements. The Board of Directors shall approve the terms of all related insurance, excess insurance, reinsurance and other agreements, including the terms of coverage, claims services, cost and compensation.

- I. The Board of Directors shall directly or by contract provide for services required to effectively implement all aspects of the Joint Program.

## **ARTICLE II RULES OF THE BOARD OF DIRECTORS**

- A. The Board of Directors may establish rules governing its own conduct and procedure and have such expressed or implied authority as is not inconsistent with, or contrary to, the laws of the State of Kentucky, these Bylaws, or the Agreement.
- B. A quorum for the transaction of business by the Board of Directors shall require at least two thirds the Directors (3 of the 5 Board of Directors). All action shall require the approval of a majority of the Directors present at the meeting. The act of the majority of the Directors present at a meeting at which quorum is present shall be the act of the Board.
- C. No one serving on the Board of Directors shall receive any salary or compensation from the Authority.
- D. The Board of Directors may approve reimbursement for expenses incurred.
- E. Each Director duly elected shall serve for a term of three (3) years, and the terms shall be staggered such that the terms of only three (3) Directors will expire in any given year. In order to effectuate the staggering of terms, once the Board of Directors reaches nine (9) members, the following will apply. The term for each of three (3) Directors shall be one year, the term for each of another three Directors shall be two years, and the term for each of the remaining three Directors shall be three years; thereafter, each term shall be three years.
- F. A Nominating Committee shall be elected annually by a majority vote of the Members. The Nominating Committee shall consist of one member of the current Board, who shall serve as chair of the Nominating Committee, and four Members not currently serving on the Board. The Nominating Committee shall, by majority vote of the Committee, assemble the slate of potential Directors to be voted upon by the Board of Directors at the next annual meeting held for such purpose.

## **ARTICLE III RIGHTS OF THE BOARD OF DIRECTORS**

- A. The Board of Directors to assist in the direction and control of the Authority. The Board of Directors shall be chaired by the President and Members of the Board shall be the Officers. The Board of Directors shall have all powers of the authority, included but not limited to:
- B.
  - 1. Amendment of these Bylaws,
  - 2. Election of Officers of the Authority;

3. Establishment of Member contribution rates or distributions;
4. Changes to the Memorandum of Coverage; or
5. Expulsion or termination of a Member.

## **ARTICLE IV OFFICERS**

- A. The principal officers of the Authority shall be a President, a Vice President, a Secretary, and a Treasurer (the “Officers”).
- B. Election of Officers:
1. The five (5) founding Board of Director members need to appoint officers for inaugural year.
  2. All other members are charter members.
  3. The Officers of the Authority shall be elected by the Board of the Directors.
  4. The Officers of the Authority shall serve a term of two years, beginning July 1 of even-numbered years.
  5. Elections shall take place at the last regularly scheduled Board of Directors meeting prior to the commencement of even-numbered Program Years. Directors may make nominations of individuals who meet the requirements for the office at the time of election. If such nomination is seconded, the nominated individual shall be a candidate for that office for which the candidate was nominated. The candidate with the greatest number of votes shall be elected to the office.
  6. Any person elected as an Officer may be removed at any time, with or without cause, by a majority of the votes of Directors present at the Board meeting.
  7. Officers shall at all times during their term be the designated Director of a Member. In the event an Officer is no longer a designated Director of a Member, then such individual shall no longer be an Officer of the Authority.
  8. All vacancies arising may be filled at any time by the weighted vote of the Directors present at that Board of Directors meeting.
- C. The President shall be the chief executive officer of the Authority and shall have general supervision and direction of the business of the Authority, shall see that all orders and resolutions of the Board of Directors are carried into effect, and shall be an ex officio Member of all committees appointed by the Board of Directors. The President shall have other powers and perform such other duties as may be prescribed from time to time by the Board of Directors.
- D. The Vice President shall have such powers and perform such duties as may be prescribed from time to time by the Board of Directors or the President. In the absence or disability of the President, the Vice President shall be vested with all the powers and authorized to perform all the duties of the President.
- E. The Secretary shall be the chief administrative officer of the Authority. The Secretary and/or the Manager shall attend all meetings of the Board of Directors and committees and record all votes and the minutes of all proceedings. The Secretary and/or the Manager shall give, or cause to be given, notice of all meetings of the Board of Directors when notice is required by law or these Bylaws. The Secretary shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors or the President.

- F. The Treasurer shall serve as the chief financial officer of the Authority, without the need to post any official bond. The Treasurer shall oversee third party professionals, approved by the Board to Directors, in connection with the following:
1. Receipt of all money of the Authority and place it in the designated depository to the credit of the Authority;
  2. Be responsible for the safekeeping and disbursement of all money of the Authority;
  3. Pay, when due, out of money of the Authority all legitimate and verifiable sums payable by the Authority;
  4. Verify and report in writing on the first day of July, October, January, and April of each year, or as soon as possible thereafter, to the Board of Directors, the amount of money held for the Authority, the amount of receipts since the last Treasurer's Report, and the amount paid out since the last Treasurer's Report; and
  5. Custodian of the Authority's property.
  6. The Treasurer shall have such other powers and perform such other duties as may be prescribed from time to time by law or by the Board of Directors or the President.
- G. The Board of Directors may appoint or elect such additional officers, and assign such duties and authorities, as it determines.

## **ARTICLE V MANAGER**

All decisions related to the Authority and the Joint Program shall be made by the Board of Directors and/or Officers. The Authority may contract with a company with demonstrated expertise and experience to assist the Authority with the management and operation of the Authority (the "Manager"). The services to be provided by the Manager and the compensation to be earned shall be as determined and approved by the Board of Directors or Officers, when authorized.

## **ARTICLE VI MEMBERSHIP IN THE AUTHORITY**

- A. Membership in the Authority shall be open to any Kentucky Public Educational Agency which has been duly approved by the Board of Directors or Executive Committee. The Authority shall provide application forms and establish procedures for their completion and submission for review prior to being approved.



- B. Upon approval, a Public Educational Agency may become a Member of the Authority by executing a copy of the Agreement, whereby said Public Educational Agency agrees to comply with the terms of the Agreement and these Bylaws, as the same may from time to time be amended and in effect.

## **ARTICLE VII FINANCE**

- A. The Authority shall operate on a fiscal year from July 1st through June 30th.
- B. The Board of Directors shall annually in accordance with Policy adopt a preliminary and final budget showing each of the purposes for which the Authority will need money and the estimated amount of money that will be needed for each such purpose for the ensuing fiscal year. A copy of the budget shall be provided to each Director and all charter members.
- C. Each Member shall pay pursuant to the Authority each fiscal year the annual Contribution as calculated and adopted by the Board of Directors pursuant to the following:
  - 1. Each Member's Contribution shall be based upon such Member's retention, selected coverages, student attendance, loss history, unusual exposures, total insured values and other information relative to providing coverage for the Member. Each Member shall also pay a their allocated costs by exposure type as determined by the Board of Directors.
  - 2. Contributions are due and payable on receipt of invoice unless payment terms defined differently on invoice. Late payment of Contributions are subject to late payment penalties as determined and approved by the Board of Directors.
- D. Each Program Year of the Authority shall be accounted for separately from every other Program Year in regard to the accounting for its assets and Obligations.
  - 1. Any unanticipated non-claim expenditures, not incorporated into the current annual budget, can be assessed against the Members, as determined by the Board of Directors. The assessment, if any, will be added to the Member's subsequent Program Year's Contribution.
  - 2. All Contributions, Obligations, expenditures and disbursements of the Authority that can be separately and distinctly identified by Program Year shall be accounted for separately by each Program Year.
  - 3. Joint Program revenues, Obligations and expenses that cannot be separately and distinctly identified to a specific Program Year may be allocated among Program Years.
  - 4. Should the total Obligations for a Program Year exceed the total assets of that year, the Members participating in such Program Year may be subject to an assessment by the Pro Rata Share of the additional contribution required based on actuarial analysis and approved by the Board of Directors.

***Example of Pro-Rata Share:***

*Fiscal Year 20XX – Total Authority Member Contributions - \$15,000,000*

*Assessment Determined by Actuary/ Program Manager/ Approved by BOD \$250,000*

*ABC School District Fiscal Year 20XX Annual Contribution = \$300,000*

*District Annual Contribution/ Total Authority Member Contribution*  
*\$300,000/ \$15,000,000 = .02*

***ABC School District Assessment***

$$\$250,000 * .02 = \underline{\underline{\$5,000}}$$

5. Net Position Funds may be utilized for the benefit of the Authority as determined and approved by the Board of Directors, including but not limited to a distribution of any positive net position funds to Members on a vesting schedule as defined in the Policy.
6. The Authority's Contingency Fund must be met before any positive net position funds are eligible to be returned to the Members.
- E. Any subrogation recoveries received by the Authority shall be credited to the member through a reduction in the amount of the claim paid. Reimbursement of monies paid will be made in the reverse order of payment.
- F. A General Fund shall be established and maintained to receive monies, pay operating expenses, hold reserves and pay claims of the Authority. The Authority shall accept and deposit in the General Fund all monies received.
- G. The Board of Directors has the authority to establish designated funds for the effective operation of the Program.
- H. The Authority shall indemnify, defend and hold harmless its Directors, Officers and members of committees against any claims that may be brought against such individuals in connection with their actions taken in good faith in the course and scope of their duties on behalf of the Authority.

**ARTICLE VIII  
INVESTMENT OF FUNDS**

- A. The Authority shall have the power to invest or cause to be invested, in compliance with the Kentucky Government Code, such funds as are not necessary for the immediate operation of the Authority as allowed by the Kentucky Government Code.
- B. The level of cash to be retained for the actual operation of the Authority shall be determined by the Board of Directors.

**ARTICLE IX**  
**MEMORANDUM OF COVERAGE**

- A. As soon as practicable following the effective date of each Program Year, the Board of Directors shall issue to each Member a Memorandum of Coverage or Insurance/Reinsurance Coverage Document.
  
- B. The Memorandum of Coverage shall contain:
  - 1. Declarations of coverage and Member Contributions;
  - 2. The scope of protection provided; and
  - 3. Other terms and conditions determined by the Board of Directors.

## **ARTICLE X ACCOUNTS AND RECORDS**

- A. The Authority is strictly accountable for all funds received and disbursed by it and, to that end, the Authority shall establish and maintain such funds and accounts as may be required by Generally Accepted Accounting Principles or by any provision of law or any resolution of the Authority. Books and financial records of the Authority shall be open to inspection at all reasonable times by representatives of the Members. The Authority, as soon as practical after the close of each fiscal year, shall give, or cause to be given, a complete written report of all financial activities for such fiscal year to each Member of the Authority.
  
- B. The Board of Directors shall make, or contract with a Certified Public Accountant to make, an annual audit of the accounts, records, and financial affairs of the Authority. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts of the Kentucky Government Code and shall conform to generally accepted auditing standards. When such an audit of accounts and reports is made by a Certified Public Accountant, a report thereof shall be filed within twelve months of the end of the fiscal year under examination with the State Controller and county auditor. Any costs of the audit, including contracts with, or employment of, Certified Public Accountants in making the audit(s) provided for herein, shall be appropriate administrative charges against the funds of the Authority.
  
- C. The Board of Directors shall contract with an independent claims auditor at least every two years to conduct an audit of claims paid by the Authority and to deliver an audit report to the Board of Directors.

## **ARTICLE XI RISK MANAGEMENT**

The Board of Directors of the Authority may adopt recommended minimum standards for risk management/loss control best practices. These standards and best practices shall be reviewed by each Member as part of each Member's risk management practices.

## **ARTICLE XII WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP**

- A. Any Member having completed two complete program years as a Member of the Authority may withdraw from its status as a Member and party to the Agreement at the end of the fiscal year subject to the following terms and conditions. Provisional notice must first be submitted by notifying the Board of Directors of the Authority in writing prior to December 31st of the fiscal year. Such notice may not be submitted more often than every 3 years.
  
- B. The Member filing the provisional notice of withdrawal shall notify the Authority in writing, together with a copy of the Member's Board resolution or meeting minutes authorizing such action, sixty (60) days prior to the end of the program year as to its final decision to leave the Authority. Failure to comply with the notification requirements and subsequent departure from the Authority shall result in a surcharge of the former Member's final program year contribution of 20%.

- C. For Members that withdraw from membership in the Authority:
1. The incurred claims, incurred but not reported claims, and all Contributions of the withdrawing Member applicable to Program Years of membership shall stay with the Authority. Exception to incurred but not reported claims noted above for coverages that are provided on “claims-made” coverage forms. These IBNR claims would then be reported to current carriers.
  2. The withdrawing Member shall continue to participate in each of the Program Years for which, the agency was a Member.
  3. The withdrawing Member shall continue to be bound by the Agreement and the Bylaws for the Program Years during which such agency was a Member.
- D. A Member may be involuntarily terminated from membership in the Authority upon a weighted vote of two-thirds of all the remaining Directors. Such involuntary termination shall become effective at the end of the Program Year in which the action is taken or upon such other date as the Board of Directors may specify, but in no case less than sixty days after notice of involuntary termination is given. As a result of such involuntary termination:
1. The incurred claims incurred but not reported claims, and all Contributions of the withdrawing Member applicable to Program Years of membership shall stay with the Authority. Exception to incurred but not reported claims noted above for coverages that are provided on “claims-made” coverage forms. These IBNR claims would then be reported to current carriers.
  2. The withdrawing Member shall continue to participate in each of the Program Years for which, the agency was a Member.
  3. The withdrawing Member shall continue to be bound by the Agreement and the Bylaws for the Program Years during which such agency was a Member.
- E. Grounds for involuntary termination include, but are not limited to, the following:
1. Failure or refusal to abide by the Agreement or Bylaws;
  2. Failure or refusal of a Member to abide by an amendment of the Agreement or Bylaws, which has been adopted by the Board of Directors or by the Members of the Authority as provided in the Agreement or these Bylaws;
  3. Failure or refusal to pay Contributions or assessments to the Authority as provided in the Agreement or Bylaws;
  4. Failure to comply with risk management or safety programs implemented by the Authority; or
  5. Failure of a Member to disclose a material fact to the Authority or its Manager. .

**ARTICLE XIII  
DISPOSITION OF PROPERTY AND FUNDS**

- A. In the event of the dissolution of the Authority, the complete rescission, or other final termination of the Agreement, any assets remaining in the Authority following a discharge of all Obligations shall be disposed of pursuant to a plan adopted by the Board of Directors with the objective of returning to Members their Pro Rata Share of positive net position funds from each Program Year to which such Member was a participant. The plan adopted by the Board of Directors shall include, but not limited to, the following:
1. Claims outstanding, and incurred but not reported to, the Authority shall be audited and calculated by an independent auditor and actuary selected by the Board of Directors for determination of future liabilities for expenses and costs to bring these claims to a conclusion.
  2. The current fair value of the Authority's assets shall be determined by the Board of Directors. If a Member disagrees with the current fair value of the Authority's assets as determined by the Board of Directors, the current fair value of said assets shall be determined by an independent appraiser selected by the Board of Directors.

**ARTICLE XIV  
AMENDMENT**

- A. Amendment to these Bylaws may be proposed by any Member of the Authority.
- B. All amendments to these Bylaws must be approved by a two-thirds (2/3) weighted vote of the Board of Directors present at a meeting before the amendment shall become effective. Such amendments shall be binding upon all Members of the Authority. The effective date of any amendment will be on the first day of the next month following adoption, unless otherwise stated.

**ARTICLE XV  
SEVERABILITY**

Should any portion, term, condition, or provision of these Bylaws be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of Kentucky, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

**ARTICLE XVI  
EFFECTIVE DATE**

These Bylaws, as they may be amended from time to time, shall become effective as of the effective date of the Agreement.

## **ARTICLE XVII DEFINITIONS**

- A. “Contribution” shall mean the amount determined by the Board of Directors as each Member’s share of the cost of each Program Year of the Joint Program.
- B. “Contingency Margin Fund” shall mean the excess by which the Authority’s assets exceed the Obligations for all the Program Years measured at a point in time as determined by the Board of Directors.
- C. “Joint Program” shall mean the coverage for property and liability claims in excess of the Member’s retention pursuant to the terms of the Authority’s Memorandum of Coverage along with the purchasing of insurance or reinsurance or the setting aside of funds and reserves to pay for a self-insured retention or for losses not covered by insurance or reinsurance of such claims.
- D. “Memorandum of Coverage” shall mean the document issued by the Authority defining the terms of coverage provided to the Members.
- E. “Obligations” shall mean to include, but not limited to, all payments required by law together with any other legal obligations incurred or potentially payable by the Authority pursuant to the Agreement, these Bylaws or a Memorandum of Coverage issued by the Authority.
- F. “Program Year” shall mean one year of the Joint Program separate from each and every other Program Year and shall operate on fiscal year from July 1<sup>st</sup> through June 30<sup>th</sup>, or as otherwise determined by the Board of Directors.
- G. "Pro-Rata Share" shall mean the ratio of each Member's Contribution in proportion to the total of all Members' Contributions for each Program Year.
- H. “Public Educational Agency” means any public school district, community college district, county board of education/county superintendent of schools, regional occupational programs/centers, or other public entity providing education programs or services to the community or such joint powers agencies/authorities consisting of one or more of the foregoing and serving the interests of such public entities.
- I. “Subrogation” shall mean the recovery of payments which the Authority has made on behalf of a Member. Subrogation monies received are the property of the Authority.