



**Resolution No. 2002-001**

**A RESOLUTION REGARDING MEMBERSHIP IN THE CITY COUNTY INSURANCE SERVICES TRUST.**

**WHEREAS**, City County Insurance Services (CIS) is a trust established by the League of Oregon Cities (LOC) and Association of Oregon Counties (AOC) to create and administer pooled retention funds to protect members against the financial consequence of property, casualty, and workers compensation losses pursuant to coverage agreements; and,

**WHEREAS**, CIS provides its Members a broad array of risk management services, including risk financing, loss prevention and loss control programs, claims management and legal representation, risk management consulting, data gathering, information sharing, training and related services; and

**WHEREAS**, the City of Sherwood finds that membership in CIS is a benefit in managing the risks involved in providing services to its citizens; and

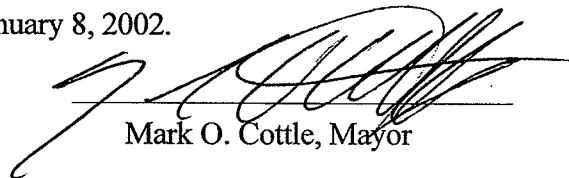
**WHEREAS**, the City of Sherwood has been provided with copies of the CIS Trust Agreement, Bylaws and Rules which have been recently updated and revised; and,

**WHEREAS**, the Bylaws, at Articles 2.2.2 and 3.3 provide that Articles 2 and 3 of the bylaws shall constitute a contract between the Member and CIS and that the Member shall adopt a resolution acknowledging that contractual relationship.

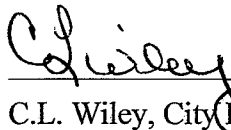
**NOW THEREFORE BE IT RESOLVED AS FOLLOWS:**

The City of Sherwood does hereby acknowledge and agree that it has received copies of the CIS Agreement and Declaration of Administrative Trust, Bylaws and Rules, and accepts the terms and conditions therein with respect to any CIS coverage programs in which it elects to participate and for which it is accepted as a Member by CIS.

Duly passed by the City Council on January 8, 2002.

  
Mark O. Cottle, Mayor

Attest:

  
C.L. Wiley, City Recorder

**CITY COUNTY INSURANCE SERVICES  
AGREEMENT AND DECLARATION OF ADMINISTRATIVE TRUST**

THIS AGREEMENT AND DECLARATION OF ADMINISTRATIVE TRUST (hereinafter "Declaration") is made this 1<sup>st</sup> day of October, 2000, by and between the LEAGUE OF OREGON CITIES ("League") and the ASSOCIATION OF OREGON COUNTIES ("Association"), acting through their respective Boards of Directors.

**RECITALS**

I. The LEAGUE is an intergovernmental entity established by intergovernmental agreement pursuant to Oregon Revised Statutes Chapter 190 to perform governmental purposes and functions, to promote the common interests of its member cities and to institute programs to assist those members in performing their proper functions at the least cost to their taxpayers.

The ASSOCIATION is an organization for intergovernmental cooperation created by its member counties pursuant to ORS 190.010 to ORS 190.110 to promote the common interests of its member counties and to institute programs to assist those members in performing their proper functions at the least cost to their taxpayers.

The above intergovernmental agreements authorize the League and Association to establish by trust or agreement a means to provide risk management and insurance services to their members.

This Declaration is adopted as an intergovernmental agreement pursuant to ORS 190.010 and establishes an intergovernmental entity as permitted by ORS 190.010(5). Such entity shall be known as the City County Insurance Services (CIS), and shall be administered pursuant to this Declaration.

II. On June 22, 1958, the League established a trust known as the League of Oregon Cities Insurance Trust to provide employee welfare benefits to employees of League members. The trust was revised and restated November 1, 1984, and its name was changed to the League of Oregon Cities Employee Benefits Services Trust ("EBS Trust"). The EBS Trust Agreement was restated again on October 14, 1988, and is attached and incorporated as Exhibit A.

On March 11, 1960, the Association established a trust known as the Association of Oregon Counties Insurance Trust ("AOCIT") to provide employee welfare benefits to employees of Association members. The AOCIT was revised January 1, 1993 and restated on July 1, 1993, and is attached and incorporated as Exhibit B.

On July 1, 1981, the League and the Association established the City/County Insurance Services Trust (the "1981 CIS Trust") to provide property, liability and workers' compensation insurance coverage to their members. The 1981 CIS Trust was revised February 1, 1988. A copy of the revised Trust is attached and incorporated as Exhibit C.

On April 16, 1993, the League and the Association adopted the City/County Insurance Services Declaration And Agreement of Trust (the "1993 CIS Trust") which established a trust and a successor board of trustees, and consolidated the Exhibit A, B and C trusts for administration by

that successor board. The 1993 CIS Trust, amended November 18, 1994, created an entity known as the "CIS Trust" pursuant to ORS 190.010(5), the existence of which is ratified hereby.

This Declaration (also referred to as the "ADMINISTRATIVE TRUST") is effective October 1, 2000, and constitutes a revision and restatement of the above 1993 CIS Trust Declaration as amended in 1994. The principal purpose of this DECLARATION is to consolidate administration of the EBS Trust, the AOCIT, and the CIS Trust in the Board of Trustees of this ADMINISTRATIVE TRUST to accomplish the further objectives set forth in the following Recitals:

III. In furtherance of the above, the LEAGUE and the ASSOCIATION, for the benefit of their respective members, agree:

- A. To continue and improve the CIS Trust program whereby the risks incurred by their member governments in the areas of tort liability, property loss, and workers' compensation may be effectively and economically managed, and whereby insurance and self-insured retention of such risks may be most responsibly and economically funded.
- B. To continue to provide and improve the EBS Trust programs and the AOCIT programs to which contributions from participating employers and contributions, if any, from participating employees can be paid and through which the Trust can create and administer health and welfare benefit plans, including (a) life, dependent life, accidental death and dismemberment insurance; (b) health benefits; and (c) disability benefits for non-occupational illness or injury, according to sound actuarial and underwriting principles.
- C. To consolidate administration of the three existing trusts.

IV. This Declaration shall constitute a ratification, revision and restatement of the City/County Insurance Services Declaration and Agreement of Trust between the same parties dated November 18, 1994; provided, however, that amendments therein to the EBS Trust and the AOCIT are not rescinded.

IN CONSIDERATION of the benefits to be derived for their respective members, and the mutual covenants and conditions herein contained, the LEAGUE and the ASSOCIATION declare and agree as follows:

## ARTICLE 1. DEFINITIONS

For the purposes of the consolidated administration of the CIS Trust, the EBS Trust and the AOCIT, the definitions of the EBS Trust Agreement, as restated October 14, 1988, and of the AOCIT Agreement, revised and adopted June 14, 1993, shall apply unless the context clearly indicates otherwise, and "Board of Trustees" or "Trustees" means the CIS Board of Trustees, designated under Article 2 of this Declaration to administer the trust plans of the CIS Trust, the EBS Trust, and the AOCIT.

## ARTICLE 2. BOARD OF TRUSTEES.

2.1 The ADMINISTRATIVE TRUST shall be governed by a Board of Trustees composed of ten Trustees. Four Trustees shall be appointed by the Board of Directors of the LEAGUE and four shall be appointed by the Board of Directors of the ASSOCIATION. The Executive Directors of the LEAGUE and the ASSOCIATION shall serve as Trustees. The LEAGUE and the ASSOCIATION, with respect to the Trustees appointed by each, shall adopt their own rules and procedures for the appointment, tenure, and removal of Trustees, subject to the following minimum standards:

2.1.1 If Trustees are appointed for a fixed term, terms shall be for no less than one year, and shall be staggered so that no more than one LEAGUE-appointed Trustee's term, and no more than one ASSOCIATION-appointed Trustee's term expires during any calendar year.

2.1.2 As a qualification for appointment and continued service, each appointed Trustee shall be an elected or appointed official of a city or county which is a member of the LEAGUE or ASSOCIATION appointing the Trustee and which is a participant in one or more coverages offered by the ADMINISTRATIVE TRUST.

2.1.3 In order to insure the faithful, independent, and impartial exercise of judgment and discharge of their obligations, Trustees shall, during their term of office, be subject to removal only for just cause. Nonattendance at three consecutive regular board meetings shall constitute good cause.

2.1.4 No Trustee shall serve, and no appointment shall be effective until such appointee acknowledges in writing full and unconditional acceptance of the terms of this Declaration and Agreement.

2.2 In the event of a Trustee's resignation, ineligibility (including disqualification under Paragraph 2.1.2 hereof), removal, or refusal to act, a successor Trustee shall be appointed as provided in Paragraph 2.1 hereof.

2.2.1 If the Trustee being replaced was serving a fixed term, the successor Trustee shall be appointed to serve the remainder of the unexpired term.

2.2.2 In the event that a Trustee shall cease to be qualified pursuant under Paragraph 2.1.2 hereof as an elected or appointed official, such Trustee may continue to serve for a period of 90 days or until appointment of a successor, whichever shall come first.

2.2.3 In the event that a Trustee shall cease to be qualified under Paragraph 2.1.2 hereof as an elected or appointed official of a participant in one or more coverages offered by the ADMINISTRATIVE TRUST, such Trustee may continue to serve for a period of one year, or until appointment of a successor, whichever shall occur first.

2.2.4 If a Trustee, within the times set forth in Paragraphs 2.2.2 or 2.2.3 above, shall again be qualified to serve, then such Trustee shall continue to serve as if such period of disqualification had not occurred.

2.3 Should a vacancy exist among the Trustees, the remaining Trustees shall have full power to act as the Board of Trustees.

2.4 Trustees, officers and agents of the ADMINISTRATIVE TRUST shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties.

2.5 Trustees, officers and employees of the ADMINISTRATIVE TRUST shall be entitled to all rights, indemnities, immunities and defenses as provided to other public officials pursuant to the Oregon Tort Claims Act.

2.6 The Board of Trustees shall require designated persons performing services to the ADMINISTRATIVE TRUST under the above provisions to be bonded or insured in a form and amount set by the Board of Trustees.

2.7 The Board of Trustees shall be chaired by one of the appointed members chosen in accordance with the Board of Trustees' bylaws, and, in the absence of the chair, by a vice-chair chosen in accordance with the bylaws; provided, however, that the chair and vice-chair shall alternate annually between appointees of the LEAGUE and the ASSOCIATION so that each body is represented by an appointee holding one office or the other in any year, and the following year the representation is reversed.

2.8 The Board of Trustees shall hold an annual meeting between January 1 and June 15 of each year, and shall meet at such other times as may be necessary with the concurrence of any six Trustees or upon call of the chair. At the request of the LEAGUE or the ASSOCIATION, the Board of Trustees shall meet with Boards of Directors of the LEAGUE or the ASSOCIATION, jointly or separately.

2.9 Six Trustees shall constitute a quorum; provided, however, that if there are three or more vacancies in Trusteeships, the remaining Trustees shall constitute a quorum and shall have full power to transact business and act for the ADMINISTRATIVE TRUST.

2.10 All ADMINISTRATIVE TRUST action shall require affirmative votes of a majority of the members of the Board.

2.11 The chair or vice-chair of the Board of Trustees shall execute on behalf of the ADMINISTRATIVE TRUST all contracts, documents, and pleadings as may be approved by the Board of Trustees; provided that the Board of Trustees may delegate to any person or firm engaged pursuant to Paragraphs 4.1.2, 4.1.3, or 4.1.4, 4.1.12 a limited agency authority to bind

the ADMINISTRATIVE TRUST in certain cases or kinds of transactions to be specified in writing by the Board of Trustees.

### ARTICLE 3. PURPOSES OF ADMINISTRATIVE TRUST.

3.1 The express purposes and primary objectives of the ADMINISTRATIVE TRUST are:

3.1.1 To provide for the consolidated administration of the trusts described in the Recitals.

3.1.2 To make available to the LEAGUE and ASSOCIATION, and to those members who choose to participate, membership services in the form of a broad array of risk management services, including but not limited to risk financing, loss prevention and loss control programs, claims management and legal representation, risk management consulting, data gathering, information sharing, training and related services;

3.1.3 To stabilize costs associated with financing risk by aggregating the collective buying power of LEAGUE and ASSOCIATION members to secure the economic advantages of group purchase, joint self-insurance and pooled risk retention;

3.1.4 To assure that there is available to LEAGUE and ASSOCIATION members a market for liability, property and workers' compensation insurance coverage appropriate to the risks to which such members are exposed;

3.1.5 To create and administer health and welfare benefit plans according to sound actuarial and underwriting principles for members of the LEAGUE and ASSOCIATION, and such other local governments whose participation may be approved by the LEAGUE and ASSOCIATION.

3.1.6 To create and administer pooled self-insured retention fund(s) for members of the LEAGUE and ASSOCIATION, and such other local governments whose participation may be approved by the LEAGUE and ASSOCIATION, and to establish actuarially sound contribution schedules for participants in such pool(s) at appropriate retention levels;

3.1.7 To provide leadership in collaboration with CIS members, the LEAGUE and the ASSOCIATION in presenting to appropriate legislative and administrative bodies and committees information related to the programs administered pursuant to this Declaration.

3.1.8 To receive, account for, invest, and disburse, as lawfully due and payable, moneys collected from participating cities, counties and other local governments as premiums, fees, and other contributions to the ADMINISTRATIVE TRUST, and to establish and maintain reserves reasonably required to provide security and stability to the Trust Plans.

3.1.9 To be a leader in working with other programs and affiliates of AOC and LOC on issues of joint interest.

3.1.10 To recognize the diversity of Oregon's cities and counties and make every effort to design and actively market innovative and competitive risk management products and services appropriate for their wide range of needs and interests.

3.2 The above purposes and objectives of the ADMINISTRATIVE TRUST shall be construed to include those purposes stated in the trusts described in the Recitals.

3.3 The foregoing expression of purposes is not exhaustive, and in addition to other related objectives reasonably inferred from that list, the ADMINISTRATIVE TRUST shall have such other objectives, not inconsistent with this Declaration, as may be lawful for a trust or an intergovernmental association under Oregon law.

3.4 To the extent of any conflict or inconsistency between this Declaration and the declarations of trust described in the Recitals, this Declaration shall control.

#### ARTICLE 4. POWERS, DUTIES, AND FUNCTIONS OF BOARD OF TRUSTEES.

4.1 In furtherance of the purposes set forth above, the Board of Trustees shall have the following powers and duties:

4.1.1 To act as the trustees of the trusts described in the Recitals, to exercise the trustee powers described in the declarations of those trusts, and to administer those trusts as described in this Declaration.

4.1.2. To approve the provisions of ADMINISTRATIVE TRUST plans, programs and policies;; determine, increase, decrease, or terminate, in whole or in part, the benefits and coverage provided by the ADMINISTRATIVE TRUST plans, programs and policies; select the carriers providing the benefits and to exercise all rights granted to a policy holder; and establish or modify rules of eligibility for benefits and employer participation.

4.1.3 To engage and oversee, as the Board of Trustees deems appropriate, the services of competent insurance agents and brokers to negotiate on behalf of the TRUST with insurance underwriters, and to market coverage and services to prospective participants in the ADMINISTRATIVE TRUST'S services.

4.1.4 To engage, employ and oversee, as the Board of Trustees deems appropriate, the services of competent professionals and consultants to manage or assist in the management, collection, investment, and disbursement of ADMINISTRATIVE TRUST funds.

4.1.5 To engage, employ and oversee the services of competent administrators and other staff to provide risk management and insurance related services to the ADMINISTRATIVE TRUST and its participants, including such claims reporting and adjusting, record keeping, information sharing, loss control and prevention consulting, and such related administrative and consulting services as the Board of Trustees deems appropriate, and to delegate such administrative authority deemed necessary or convenient by the Board.

4.1.6 To review and approve policy forms, service contract forms, and other documents appropriate to the operation of the ADMINISTRATIVE TRUST, and to establish the limits of authority of the persons engaged under Paragraphs 4.1. 2, 4.1. 3 and 4.1. 4.

4.1.7 To establish methods of calculating premiums for insurance coverages offered, and other service fees to be charged to participants in the ADMINISTRATIVE TRUST'S services; and to establish procedures for the collection, investment, and disbursement of moneys owed to and by the ADMINISTRATIVE TRUST, and actions to be taken with respect to delinquent accounts receivable.

4.1.8 To establish and maintain, from contributions and other assets of the ADMINISTRATIVE TRUST, reserves necessary according to sound actuarial and underwriting principles to provide stability and security to the ADMINISTRATIVE TRUST'S programs.

4.1.9 To provide for complete accounting, and at least annually, audit of the funds received, invested, kept and disbursed by the ADMINISTRATIVE TRUST; and to establish such accounts with financial and investment institutions and brokerages as may be necessary and prudent for the proper management of ADMINISTRATIVE TRUST funds. All such funds of the ADMINISTRATIVE TRUST may be aggregated for purposes of deposit, investment and disbursement. However, records of moneys received and disbursed shall also be maintained by classes of local governments participating in each of the separate programs and services of the ADMINISTRATIVE TRUST. Funds from each separate program of the ADMINISTRATIVE TRUST shall not be commingled but shall be held and used exclusively for the benefit of current and past participants of each separate program. This shall not preclude payment for shared administrative costs in such proportions as the Board of Trustees, in its discretion, may determine.

4.1.10 To acquire and retain, to the extent allowed by state law, every kind of property, real, personal or mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures, and other corporate or government obligations, interests in common trust funds, and securities of any open-end or closed-end management type investment company or investment trust, provided that in the making of investments the Trustees shall comply with the investment limitations of applicable law and investment policies of the Board.

4.1.11 To hold title to all investments or other assets of the ADMINISTRATIVE TRUST in the name of the TRUST, provided that for convenience in transferring bonds or other negotiable securities, title to the securities may be held in the name of the ADMINISTRATIVE TRUST'S custodian bank, or of its nominee

4.1.12 To maintain accurate records and accounts of all transactions, consistent with generally accepted accounting practices, which shall be available at all reasonable times for inspection by members, participating employers or beneficiaries.



4.1.13 To contract with the LEAGUE and the ASSOCIATION for such services and facilities as the Board of Trustees shall consider necessary and appropriate. The Board of Trustees may pay for such services and facilities out of ADMINISTRATIVE TRUST funds.

4.1.14 To compensate the LEAGUE and the ASSOCIATION for the use of their name and goodwill in support of marketing the products and services of the ADMINISTRATIVE TRUST. The Board of Trustees may pay such compensation out of ADMINISTRATIVE TRUST funds to the extent permitted by applicable law and prudent under pertinent tax laws.

4.1.15 To establish such advisory committees as the Board of Trustees deems advisable to assist in policy and operations of the ADMINISTRATIVE TRUST; and to appoint qualified persons to such committees to serve at the pleasure of the Board of Trustees.

4.1.16 To promulgate bylaws, polices and regulations for the operation of the Board of Trustees and the ADMINISTRATIVE TRUST consistent with the provisions of this Declaration and Agreement and the trusts described in the Recitals.

4.1.17 To exercise such other powers and to prepare and execute such other documents and agreements as may be lawful and necessary to implement more fully this Declaration and the purposes thereof.

## ARTICLE 5. USE OF ADMINISTRATIVE TRUST FUNDS.

5.1 Without further specific action of the Board of Trustees, but subject to any limitations or conditions set by the Board of Trustees in its bylaws or regulations, the administrators designated by the Board of Trustees shall disburse or authorize disbursement of moneys from funds of the ADMINISTRATIVE TRUST for any of the following purposes:

5.1.1 Payment of moneys due and certain under or by virtue of any contract, bond, benefit, plan or policy of insurance made or obtained by or on behalf of the ADMINISTRATIVE TRUST, or pursuant to any pooled self-insured retention fund established by the ADMINISTRATIVE TRUST;

5.1.2 Investment and reinvestment of ADMINISTRATIVE TRUST funds under such standards and limitations as may be approved by the Board of Trustees;

5.1.3 Payment of premiums due on fidelity, performance, errors and omissions, or other bonds and insurance which the Board of Trustees may require in its bylaws to protect the ADMINISTRATIVE TRUST and its Trustees and employees;

5.1.4 Reasonable and necessary expenses incurred by Trustees and employees for such items as travel, meals, lodging, telephone calls, and other out-of-pocket expenses incurred in performing their duties; provided that the personal services and time devoted by Trustees shall not be compensated.

5.1.5 Any other purpose authorized by this Declaration or by the trusts described in the Recitals.

5.2 Except as provided in Paragraph 5.1, or as authorized in a budget duly adopted by the Board of Trustees, ADMINISTRATIVE TRUST funds shall not be disbursed, expended or obligated without express approval of the Board of Trustees.

5.3 The Board of Trustees shall provide for an annual audit of ADMINISTRATIVE TRUST funds and operations, and for such interim audits as it deems necessary. Copies of such audits shall be furnished to each Trustee, and to the LEAGUE and the ASSOCIATION. The cost of such audits shall be paid out of ADMINISTRATIVE TRUST funds.

5.4 The Board of Trustees shall adopt an annual budget, consistent with generally accepted government budgeting principles, not later than the last day of June of each year. Such budget shall identify revenue and expenses for each ADMINISTRATIVE TRUST program, including but not limited to the trusts described in the Recitals. The Board of Trustees or its administrator shall, in the process of preparing the annual budget, solicit the advice of the LEAGUE and the ASSOCIATION regarding services required by their respective members.

5.5 Income from investments of the ADMINISTRATIVE TRUST in excess of obligations payable under this Article may, at the direction of the Board of Trustees, be distributed in whole or in part, from time to time, to local government participants in the program, either directly or by way of reduction of premiums, contributions, or other fees assessed to participants. Such distributions shall be based upon such formula as the ADMINISTRATIVE TRUST shall approve which includes both losses incurred and proportionate premiums, contributions, and fees paid by individual local governments participating in the program during the period since the last distribution, if any. Except as provided in this section, investment income shall remain with the ADMINISTRATIVE TRUST for reinvestment or satisfaction of the obligations of the ADMINISTRATIVE TRUST as provided in Paragraphs 5.1 through 5.3.

#### ARTICLE 6. ELIGIBILITY FOR PARTICIPATION AND TERMINATION.

6.1 Subject to the terms of the trusts described in the Recitals and to regulations adopted by the Board of Trustees, the LEAGUE, the ASSOCIATION and each of their members shall be eligible to participate in the coverage, programs and services offered by or through the ADMINISTRATIVE TRUST.

6.2 In addition, "public bodies" as defined in ORS 30.260 (4) (b) and (c), may be allowed to participate in ADMINISTRATIVE TRUST programs and services.

#### ARTICLE 7. INTEREST IN ADMINISTRATIVE TRUST PLAN ASSETS

7.1 Neither participating employees, participating employers, beneficiaries, parties to the Trust Plans nor any other person or entity shall have any right, title, or interest in the assets of the ADMINISTRATIVE TRUST.

7.2 Neither participating employees nor beneficiaries shall have any right to assign any benefits provided by any employee benefit plan of the ADMINISTRATIVE TRUST except to a beneficiary or to a provider of medical or hospital services. The benefits provided by plans of

the ADMINISTRATIVE TRUST shall not be subject to seizure by legal process or be in any way subject to the claims of creditors of a participating employee or beneficiary except for an authorized assignment to a provider of medical or hospital services.

7.3 For the purposes of this Declaration, the assets of the EBS Trust, AOCIT and 1981 CIS Trust shall be the property of the ADMINISTRATIVE TRUST.

## ARTICLE 8. DISSOLUTION OR TERMINATION OF ADMINISTRATIVE TRUST.

8.1 This ADMINISTRATIVE TRUST may be voluntarily dissolved upon declaration of the LEAGUE, acting through its Board of Directors, or the ASSOCIATION, acting through its Board of Directors. Such declaration of dissolution shall not become effective until delivered, in writing, to each Trustee, and to the chief administrative officer or governing body of each participating city, county, and other public body, and then not until the happening of either of the following:

8.1.1 Expiration or termination of every policy, contract, or other agreement under which any city or county participates in the services offered by the ADMINISTRATIVE TRUST, or is indemnified or insured by or through the ADMINISTRATIVE TRUST; or

8.1.2 The adoption and approval of a distribution plan pursuant to paragraph 8.3.

8.2 This ADMINISTRATIVE TRUST shall automatically terminate and dissolve upon the first occurrence of any of the following:

8.2.1 The date, on which there are no members of the LEAGUE or ASSOCIATION then participating in the services offered by or indemnified or insured by or through the ADMINISTRATIVE TRUST;

8.2.2 The date on which all cities and counties then participating in the ADMINISTRATIVE TRUST cease to be members of the LEAGUE or the ASSOCIATION; or

8.2.3 Upon the dissolution, adjudication of bankruptcy, or appointment of a receiver for either the LEAGUE or the ASSOCIATION.

8.3 Upon dissolution or termination of the ADMINISTRATIVE TRUST;

8.3.1 The balance, if any, of assets arising from property/casualty programs of the ADMINISTRATIVE TRUST remaining after satisfaction of all obligations of the ADMINISTRATIVE TRUST shall be distributed according to a plan furthering the purposes of this ADMINISTRATIVE TRUST and adopted by the Board of Trustees with the approval of the LEAGUE and the ASSOCIATION. In the event such a plan is not approved within 180 days of such termination or dissolution, such remaining assets shall be distributed among those local governments who were participants in the ADMINISTRATIVE TRUST at any time during the 12 months immediately preceding dissolution or termination, in proportion to their individual actual payments made to the ADMINISTRATIVE TRUST of premiums, contributions, and fees during that 12 month period.

8.3.2 The balance, if any, of assets arising from health and welfare benefits programs of the ADMINISTRATIVE TRUST remaining after satisfaction of all obligations of the ADMINISTRATIVE TRUST shall be applied to purchase or provision of benefits which the Board of Trustees may determine for employers who are participating employers on the date of termination, or for individuals who are participating employees or beneficiaries on the date of termination. The Trust Plans' assets shall not revert to, or be used for, the Trustees of the Board of Trustees or the LEAGUE or the ASSOCIATION.

8.4 Automatic termination as provided in Section 8.2 shall not affect the rights of any participating local government under any policy of insurance underwritten by an insurer other than the ADMINISTRATIVE TRUST.

8.5 Upon dissolution or termination of the ADMINISTRATIVE TRUST, the Board of Trustees shall continue to act for the purpose of dissolution and the execution of all instruments which may be required to dissolve and liquidate the Trust Plans or ADMINISTRATIVE TRUST.

8.6 Termination or dissolution of the ADMINISTRATIVE TRUST shall not cause termination or dissolution of the trusts described in the Recitals. Such trusts shall dissolve or terminate according to the terms of each trust declaration.

#### ARTICLE 9. AMENDMENTS.

9.1 This Declaration and Agreement may be amended from time to time by mutual written agreement of the LEAGUE and the ASSOCIATION acting through their respective Boards of Directors; provided that the LEAGUE and the ASSOCIATION deliver to each Trustee a full copy of the proposed amendment at least ten days prior to taking any action approving the amendment, and consider any written or oral comments by the Trustees either individually or as a Board of Trustees prior to such action.

9.2 No amendment shall operate to the prejudice of any vested rights held by any participant in the program under a policy, contract, or other document for the benefit of such participants.

9.3 The ADMINISTRATIVE TRUST shall not be amended in any manner inconsistent with the legal requirements applicable to the ADMINISTRATIVE TRUST to permit the ADMINISTRATIVE TRUST'S assets, or any part thereof to revert, or be diverted, to the benefit of any employee or any person other than the Participating Employers, Participating Employees or Beneficiaries to the extent contributions were made for the benefit of the Participating Employees or Beneficiaries. An amendment, by its terms, may be retroactive.


#### ARTICLE 10. SEVERABILITY.

If any provision of this Declaration and Agreement is adjudicated to be invalid, unenforceable, or unconstitutional, the remainder of the provisions not subject to such adjudication shall not be affected and shall continue in full force and effect.

IN WITNESS WHEREOF, the LEAGUE and the ASSOCIATION have approved the foregoing amendments on the 1<sup>st</sup> day of October 2000.

ASSOCIATION OF OREGON COUNTIES

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Executive Director

LEAGUE OF OREGON CITIES

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Executive Director

CITY COUNTY INSURANCE TRUSTS - BOARD OF TRUSTEES GOVERNANCE POLICY  
(Last Amended April 2001)

SECTION I. BOARD PROCESS

Purpose:

*In these policies, the Board identifies for whom it governs and outlines its governance approach and governing style.*

1.0. **Responsibility.** The Board recognizes its fiduciary duty to the three Trusts it administers: The *City County Insurance Services Trust (CIS)*, established in 1981 by the League of Oregon Cities (LOC) and the Association of Oregon Counties (AOC), offers risk financing and risk management related services to their members, and other governments as approved by LOC and AOC.

The *Employee Benefits Services Trust (EBS)*, established by LOC in 1958, provides employee health and welfare benefits plans for city employers. In 1994, LOC designated CIS as the successor of EBS.

The *Association of Oregon Counties Insurance Trust (AOCIT)*, formed by AOC in 1960, provides similar employee benefits plans for counties. In 1994, AOC designated CIS as the successor of AOCIT.

1.0A. **Role.** Administration of the three Trusts was consolidated under the CIS Board of Trustees in 1994 and reaffirmed with passage of an Administrative Trust Agreement in 2000. The Board's allegiance in trust, and CIS' long term business survival, require it to protect and manage CIS' assets for the benefit of its members (those local governments who purchase coverage and services through CIS) and to further the interests of the sponsoring associations. On behalf of its members, the Board directs the CIS organization in the accomplishment of desired results - expressed in Ends Policies (Section 4), and the avoidance of unacceptable activities and conditions - expressed in Executive Limitations Policies (Section 3).

1.1. **Linkage to Members.** Cities and counties who have joined LOC and AOC are not compelled to purchase coverage and services from CIS. They judge whether the products and services offered by CIS are cost-effective when compared to other alternatives available in the open market place. Competitive market forces influence CIS product selection and pricing. Under Board direction, CIS seeks to attract and retain market share by understanding the dynamics of this market place and by producing outputs and generating outcomes that are highly valued by its members. Trustees are visible and active supporters of more aggressive risk management practices among members.

1.1A. **Member Driven.** The Board educates itself regarding the values held by cities and counties in LOC and AOC, paying particular attention to those entities that are CIS members. The Board acts under the influence of these values. Education is facilitated by reviewing industry reports prepared by staff and outside sources; studying responses to member surveys and focus groups; engaging in direct contact with members, beneficiaries and stakeholders; and monitoring the demand and utilization of similar products and services in the market place.

1.1A(1). If available, monies are allocated within CIS' annual operating budget for member surveys, focus groups, opinion analysis and meeting costs associated with ownership linkage and industry awareness.

1.1B. *LOC/AOC Link.* The Board recognizes that LOC and AOC assist in promoting sound risk management practices and marketing the products and services of CIS, including but not limited to use of the names and goodwill of LOC and AOC.

1.1B(1). If available, monies are allocated within CIS' annual operating budget to compensate LOC and AOC for their sponsorship and support. The Board is available to meet with the governing bodies of LOC and AOC at their request.

1.2. Explicit Governing Policies. The Board directs controls and inspires the organization through the careful establishment of these broad written policies reflecting the Board's values and perspectives about Ends to be achieved and Means to be avoided. The Board may change its Ends and Executive Limitations Policies at any time, consistent with Board-Executive Director Policy 2.4.

1.2A. *Ends.* The Board defines what CIS is to accomplish in terms of results, recipients, and costs, and expresses these expectations in Ends Policies (Section 4).

1.2B. *Means.* The Board delegates accountability for CIS' performance to the executive director. How performance will be monitored and controlled is described in Board-Executive Relationship policies (Section 2).

1.2C. *Limits.* The Board, in Executive Limitations policies (Section 3), identifies those activities and conditions that it considers unacceptable in a business setting.

1.3. Board Governance Procedures. The Board carries out its job with discipline, emphasizing strategic leadership rather than administrative detail, future orientation rather than past or present focus, outward vision rather than internal or interpersonal preoccupation, policy rather than single events, collective rather than individual decisions and governs pro-actively rather than re-actively.

1.3A. *Board Focus.* The Board cultivates a sense of group responsibility. The Board works in partnership with the executive director, staff, members and other key stakeholders. Only those issues that are within the Board's chosen areas of responsibility consume Board time. That is, the Board works on the Board's job, not on the job of staff, though the Board may review staff performance against Board policies at any time. The Board acts so that coverage, rates, expenditures and reserves are where they need to be.

1.3B. *Board Meetings.* Meetings are for the single task of getting the Board's business done. CIS members are advised of meeting dates, times and locations. Meetings are open to members, except when an executive session is called.

1.3B(1). The Board convenes once a quarter, if needed, and designates its annual Spring Seminars held in RiskNet regions around the state as annual member meetings.

1.3B(2). Six trustees constitute a quorum for Board meetings. All Board action requires affirmative votes of a majority of trustees constituting a quorum.

1.3B(3). Trustees prepare for meetings, are well informed and participate productively in discussion, always within the boundaries of discipline established by the Board.

1.3B(4). The Board is the sole authority over its own meeting agenda. The chairperson exercises this control on behalf of the Board, though any trustee - with a majority agreeing - can add or delete business from the agenda. Agenda material is provided to trustees with adequate lead-time for preparation.

1.3B(5). Deliberation at Board meetings is fair and open, but also efficient, timely, and orderly.

1.3C. *Chairperson.* The Board charges the chairperson to make decisions on issues of Board Process and Board-Executive Relationship, within established policies.

1.3C(1). The Board elects from among themselves, a chairperson, vice-chair and secretary to serve an annual term beginning July 1 each year. The chair and vice-chair positions alternate annually between appointees of LOC and AOC.

1.3C(2). The chairperson oversees the integrity and fulfillment of the Board's process and occasionally represents the Board to outside parties.

1.3C(3). The chairperson is authorized to use any reasonable interpretation of the provisions in Board Process and Board-Executive Relationship policies, except where the Board specifically delegates portions of this authority to others.

1.3D. *Board Members.* The Board commits itself and its trustees to ethical, businesslike and lawful conduct, including proper use of authority and appropriate decorum when acting as trustees.

1.3D(1). Because poor governance costs more than learning to govern well, the Board invests in its governance capacity. Trustees participate in educational and training opportunities to ensure continual development in their roles and engage in periodic Board discussion of process improvement.

1.3D(1) a. If available, monies are set aside in CIS' annual operating budget for trustee training, including attendance at relevant conferences and workshops. Training monies are used liberally to maintain and increase trustee education in the governance process.

1.3D(1) b. If available, training monies are used liberally to orient new trustees, and candidates for service on the Board, in the Board's governance process.



1.3D(2). Recognizing that the LOC and AOC appoint the CIS Board of Trustees, the Board may choose to offer suggestions regarding qualifications for appointees and ask that such guidelines be considered in the appointment process.

1.3D(3). Trustees respect the confidentiality appropriate to sensitive issues.

1.3E. *Board Committees.* The Board structures Board committees to assist with Board tasks.

1.3E(1). Board committees help the Board by preparing policy alternatives and implications for Board consideration. Board committees do not speak or act for the Board except when formally given authority for specific and time-limited purposes. Their authority does not conflict with authority delegated to the executive director.

1.3F. *Board Planning Cycle.* To govern in a manner consistent with Board policies, the Board follows an annual agenda that evaluates Ends policies at least once a year and continually improves Board performance through trustee education and enriched input and deliberation. At meetings, the Board deals with consent agenda items as expeditiously as possible. Staff performance is included on the meeting agenda if monitoring reports show policy violations.

1.3F(1). The Board's first calendar quarter meeting in January is an annual planning retreat.

1.3F(2). The second calendar quarter meeting in March/April deals with rate making, administrative planning and budgeting issues so that a one-year segment of the Board's most recent statement of long-term Ends can be accomplished.

1.3F(3). The third calendar quarter meeting in June/July deals primarily with renewals and developing strategies for consultation with members which takes place during the balance of the calendar year.

1.3F(4). The fourth calendar quarter meeting in September/October focuses primarily on trustee education.

1.3F(5). Outside monitoring assistance is arranged at Board request so the Board can exercise control over organizational performance. This includes, but is not limited to financial audits and actuarial studies.

1.3F(5) a. Monies are allocated in CIS' annual operating budget for actuarial studies, financial audits and other third party monitoring of organizational performance.

## SECTION 2. BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

### Purpose

*These policies spell out how the Board transfers authority to management. These policies describe the nature of the delegation as well as the way in which the proper use of delegated authority is monitored. Policies do not necessarily describe what is delegated, but rather how delegation occurs. They do not tell the executive director what to do, but rather describe how that position relates to the Board.*

2.0 **Relationship.** The Board conducts its business through the Board's executive director.

2.1 **Delegation.** The Board instructs the executive director through written policies prescribing the organizational Ends to be achieved - certain results, for identified recipients, at certain costs - and, in Executive Limitation policies - describing organizational situations and actions to be avoided. The executive director is then expected to use a reasonable interpretation of these policies.

2.1A. *Executive Director Authority.* As long as the executive director uses a reasonable interpretation of the Board's Ends and Executive Limitation Policies, the executive director is authorized to make all decisions, take all actions, establish all practices and develop all activities.

2.2. **Accountability.** The executive director is the Board's link to operational achievement. All authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the executive director. The executive director is accountable to the Board for CIS achieving the Board's Ends policies and avoiding transgressions of the Board's Executive Limitations policies.

2.3. **Assuring Performance.** Monitoring occurs to determine the degree to which Board policies are being met. Systematic and rigorous monitoring of the executive director's job performance will be against the outputs and outcomes the executive director is charged to deliver - organizational performance upon Ends policies, and organizational operation within limits established in Executive Limitations policies.

2.3A. *Method.* Adopted policies will be monitored in one or more of three ways:  
*Internal Report:* Disclosure of compliance information from the executive director.  
*External Report:* Discovery of compliance information by a disinterested external auditor or inspector selected by and reporting to the Board.  
*Direct Inspection:* Discovery of compliance information by the Board as a whole, or its designated representative.

2.3B. *Frequency.* Any policy can be monitored by any method at any time the Board chooses. For regular monitoring, however, the Board classifies each Ends and Executive Limitations policy according to established frequency and methods:

<b>Policy</b>	<b>Method</b>	<b>Frequency</b>
<u>Ends Policies</u>		
4.0. Desired Results	Staff report - participation/retention levels	Annually- July/Oct.
	Chair & executive director - overview report	Quarterly
	Board - review of governance policies	Annually - January
	Board - evaluating executive director performance	Annually - January
	Staff Report - Friday Report to Trustees	Weekly
4.1. Coverage	Review by broker (Pools) & consultant (EBS)	Annually - Jan/April
4.2. Risk Mgmt.	Staff Report	Quarterly
4.3. Fin. Stability	Review by actuary	Annually - January
	Staff report - operating performance CYPM	Annually- March,
	Staff report - rates for upcoming policy year	Annually - Jan/April
Value to Mbrs.	Staff report	Quarterly
<u>Executive Limitations Policies</u>		
3.0. Limitations	Staff Report - Friday Report to Trustees	Weekly
	Chair & executive director - overview report	Quarterly
3.1. Mber Treatment	Periodic member survey	Bi-annually - January
	Staff report - member eligibility requirements met	Annually - September
3.2. Staff Treatment	Staff report - personnel review	Annually - April
3.3. Fin. Planning	Staff report - Proposed CIS operating budget	Annually - April
	Staff report - operating budget monitoring	Quarterly
	Financial review by auditor	Annually - January
	Staff report - Consultation with AOC/LOC	Annually - April
3.4. Asset Protection	Report by actuary	Annually - January
	Staff report - loss projections	Quarterly
	Staff report - investment of CIS funds	Quarterly
3.5. Board Support	Review by Board Chair	Quarterly
	Staff report - monitoring & decision data	Quarterly

2.4. Effect of Amending Policies. The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and executive director domains. So long as any particular delegation is in place, the Board is expected to support the executive director's choices. This does not prevent the Board from obtaining information in the delegated areas.

2.5. Individual Trustees Relationship with Staff. Only decisions of the Board acting as a body are binding upon the executive director and staff.

2.5A. *Individual Board Member Contact.* Decisions or instructions of individual trustees or Board committees are not binding on staff, except in rare instances where the Board gives specific authorization. Individual trustees may have whatever relationship with the executive director or a staff member that is acceptable to the executive director, except that they can never carry the instructive authority of the Board, nor can they waive requirements set by the Board. If trustees or committee members require information or assistance without Board authorization, the executive director may refuse such requests that require - in the executive director's judgement - a material amount of staff time or funds, or that are disruptive.

2.6. Evaluating Performance of Executive Director. Annually, in January, the Board formally evaluates the executive director, considering the degree of organizational accomplishment upon Ends policies, and organizational compliance with Executive Limitations policies as primary performance criteria.

### SECTION 3. EXECUTIVE LIMITATIONS

#### Purpose

*Executive Limitations Policies reflect assurances the Board needs before it is willing to safely withdraw from most details of operation. While Ends policies tell the executive director what the Board intends for the organization to achieve, Executive Limitations policies tell the executive director and staff what the Board will not tolerate.*

*These policies establish the conditions for pre-approval of any staff decisions or activities that do not violate the policies. In effect, the Board is saying to the executive director any action you take can be considered Board-approved if it does not violate these policies and the executive director is accountable for ensuring that all further decisions and actions constitute reasonable interpretations of the policy limits.*

*If the Board worries about staff making reasonable interpretations of Board policy it can make further clarifying policy sub-sets, until it is satisfied that staff won't get it wrong.*

*The Board monitors whether staff means used does indeed respect the boundaries placed on them by these policies.*

3.0 Executive Limitations. The executive director shall not cause nor allow any practice, organizational circumstance, activity or decision that is either imprudent or in violation of commonly accepted business or professional ethics as they might apply to organizations similar to CIS. The executive director shall not endanger CIS' public image or credibility, thereby jeopardizing its ability to accomplish its mission.

3.1. Treatment of Participating Members. With respect to interactions with current or prospective members, the executive director shall not cause or allow conditions, procedures or decisions that are undignified, discourteous or fail to provide appropriate confidentiality or privacy.

3.1A. *Member Eligibility.* CIS products and services shall not be offered to an entity that do not belong to LOC and AOC, or whose participation AOC and LOC have not approved.

3.2 Treatment of Staff. With respect to treatment of staff, the executive director may not cause or allow conditions that are unlawful, unfair or undignified.

3.2A. *Compensation and Benefits.* With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the executive director shall not cause or allow jeopardy to fiscal integrity or public image.

3.2A(1). The number of full-time equivalent positions, total staff compensation, and benefits shall not exceed those authorized by the Board during the annual budget setting process. Salaries and benefits will not deviate materially from that offered for similar positions in comparable public or private sector market settings.

3.2A(2). CIS administrative costs will not be out of line with those of its competitors and other pools that offer similar programs.

3.2B. *Personnel Policies.* The executive director shall not operate without written personnel policies that clarify personnel rules for staff; provide for effective handling of grievances; and protect against unlawful or wrongful conditions.

3.3 Financial Planning & Budgeting. Fiscal year planning shall not deviate materially from the Board's Ends policies.

3.3A. *Actual Expenditures.* With respect to the actual ongoing financial conditions and activities, the executive director shall not cause or allow a material deviation of actual expenditures from the Board-approved operating budget.

3.3A(1). Funds shall not be received, processed or disbursed under controls that are insufficient under applicable generally accepted accounting principles.

3.3B. *Financial Audit.* Financial record keeping for any fiscal year shall not be complete until an independent auditor selected by the Board has conducted an annual audit of funds received, invested, kept and disbursed by CIS.

3.3C. *Commingling of Funds.* Funds for each separate Trust may not be commingled without assurances that they can be accounted for and used exclusively for the benefits of members in each separate Trust.

3.3D. *Consultation with Local Government Associations.* The executive director shall not present the annual operating budget and work plan for CIS without first consulting LOC and AOC regarding their assessment of CIS related services required by their respective members.

3.4 Asset Protection. The executive director shall not allow CIS assets to be unprotected, inadequately maintained, inappropriately used or put at undue risk.

3.4A. *Reserves.* Reserves shall not be allowed to fall below the level adopted by the Board and considered necessary to provide stability and security to CIS programs, according to sound actuarial and underwriting principles.

3.4A(1). The assessment of actuarial soundness of CIS Trust reserves shall not be complete until an independent and qualified actuary has advised on the sufficiency of fund reserves. Such evaluation will be conducted as frequently as is required for prudent management by an independent actuary selected by the Board.

3.4A(2). The CIS Trust is a single accounting entity that prices each line of coverage separately. In the event of excessive losses in any coverage line, transfers between lines of coverage shall not be made unless the deficit can reasonably be made up by the end of the next full fund year after the transfer is made.

3.4B. *Bonding.* The executive director shall not authorize non-bonded personnel access to amounts of funds in excess of \$1,000.

3.4C. *Investments.* The executive director shall not allow investments to be made in violation of the Board's adopted investment policy.

3.4D. *Insurance.* The executive director shall not intentionally expose CIS, the Board or staff to claims of liability.

3.4D(1). The executive director shall not fail to secure coverage against theft and casualty losses and against liability losses to Board members, staff or each of the Trusts, in amounts that are reasonable for similar organizations of like size.

3.4D(2). The executive director shall not fail to protect intellectual property, information and files from loss, significant damage or misuse.

3.5. *Communication and Support to the Board.* The executive director shall not permit the Board to be uninformed or unsupported in its work.

3.5A. *Monitoring Data.* The executive director shall not neglect to submit monitoring data required by the Board, in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored. The executive director shall not let the Board remain unaware of relevant trends, anticipated adverse media coverage and material external and internal changes, with particular emphasis on changes in the assumptions upon which any Board policy has previously been established.

3.5B. *Decision Data.* The executive director shall not fail to assemble for the Board as many staff and external points of view, opinions and options as needed for fully informed Board choices. Information may not be presented in unnecessarily complex or lengthy form. The executive director shall not fail to supply for the consent agenda all items delegated to the executive director, yet required by law or contract to be Board-approved, along with related monitoring assurance.

3.5C. *Other Data.* The executive director shall not fail to advise the Board if, in the executive director's opinion, the Board is not in compliance with its own policies on Board Process and Board-Executive Director Relationship. This is appropriate in the case of Board behavior that is detrimental to the working relationship between the Board and the executive director.

## SECTION 4. ENDS (DESIRED RESULTS)

### Purpose

*Ends policies clarify the results CIS is expected to accomplish. The focus is not on what the organization does, but on what it is for. What will be different, for whom, and at what cost? Who will or who will not benefit from CIS, and in what ways, and at what cost. Ends policies prescribe results, recipients and costs, not activities and intentions.*

4.0 Ends (Desired Results). The Board's vision is that CIS has a stellar reputation based on stellar performance. We are loyal partners with our members, jointly investing in their long-term future. We strive to provide the best coverage at the best rates. We offer all lines to all eligible entities, including small entities under-served in the marketplace. If a competitor offers a better package, it's our job to know why and to do the right thing. If a competitor is doing something right and we're not, we make changes. But if they are simply buying business we stand firm because we know that a mindless price war ultimately hurts our members.

At the same time we are selective and fair in our pricing. We recognize and reward good performance and we acknowledge poor performance and set prices appropriately. We work with poorer performing members encouraging them to manage their risks aggressively.

We provide our members with superior customer service and consistent professionalism. They don't shop for cheaper coverage because they understand that their contribution to CIS is an investment in long term protection. They take responsibility for reducing their own risks to help decrease claims and increase the return on their investment. All trusts and all lines of coverage are financially viable; all have sufficient reserves.

4.1. Coverage. CIS offers members the best coverage at the best rates.

4.1A. *Offerings*. CIS offers to every city and county in LOC/AOC property and casualty coverage and employee benefits plans that are tailored to the needs of members, are the broadest available in the market place and are priced at competitive market rates. Staff will track and reports the results of these marketing efforts.

4.1A (1). CIS aggregates the collective buying power of members, and utilizes the economic advantages of individual and pooled risk retention, to provide joint self-insured risk retention pools for property and casualty coverage which, after distributions are made, reflects lower overall costs than commercial insurance products.

4.1A(1)(a). Members are charged rates appropriate to their exposures and loss experience.

4.1A (2). CIS aggregates the collective buying power of members to secure employee benefits coverage options that respond to member needs, and negotiates group rates with carriers. CIS' employee benefits Trusts' market a choice of coverage options for health and welfare benefit plans, i.e. medical, dental, vision, life, short and long term disability and other coverage and related services. These options are offered to local government employers, their employees and dependents, at rates that seek to stabilize the cost of funding these programs for members.

4.2. Risk Management. CIS works with members to aggressively manage risks.

4.2A. *Services*. CIS makes available effective loss prevention and loss control programs, claims management and consulting, data gathering, information sharing, education, training and related risk management services.

4.2A (1). CIS risk management efforts will focus on areas of greatest risk as reflected in claims experience data - law enforcement, employment-related claims and OR-OSHA compliance.

4.2A (2). As a result of CIS risk management intervention, at least 5% of the entities with incurred loss ratios of over 60% (least desirable) will improve their ratios to between 40% to 60% (more desirable).

4.2A (3). Overall, CIS risk management efforts will result in an overall 5% improvement in loss ratios and reduce the number, frequency and severity of claims.

4.3. Financial Viability of CIS. CIS is financially stable and highly valued by its members.

4.3A. *Self-insured Pools*. CIS self-insured pools are financed through the use of actuarially sound contribution schedules at appropriate retention levels. Each year's contributions are expected to cover that year's losses and expenses and add to surplus. The Board establishes target surplus levels.

4.3B. *Group Purchase*. CIS' employee benefits Trusts operate using sound actuarial and underwriting principles. Surplus amounts generated in CIS' employee benefits Trusts may be used, subject to Board approval, as a subsidy to write down group rates proposed by carriers in order to provide pricing stability to members.

4.3C. *Reporting*. The CIS Board and members will receive regular reports on key benchmarks that reflect the status of CIS operations.

4.3D. *Cooperative Efforts*. CIS works together with those who have common interests when these efforts have the potential to produce benefits for CIS members. CIS acts as a catalyst for change and innovation that helps members better finance and manage their risks. CIS is a leader in working with other programs and affiliates of the local government associations on issues of joint interest.

4.3E. *Membership Services*. CIS acknowledges the importance of membership services and works with LOC and AOC to improve and expand services to local governments in ways that are consistent with CIS' own mission.



4.3F. *Local Agents.* The Board acknowledges the potential for risk management assistance to be provided by local insurance agents and the value of such assistance to members and to CIS. CIS has no direct agency relationship with local agents, allowing that relationship to be negotiated in each local community. Fee-for-service compensation is handled at the member entity level. If it is the preference of the entity and local agent, CIS accommodates the collection of local agent commissions.

4.3G. *Diversity.* The Board recognizes the geographic and size diversity of local governments and designs and actively markets innovative and competitive products and services appropriate for the wide range of needs and interests of the members. CIS exercises the necessary judgement to find the appropriate balance between being responsive to the needs of prospective members, and individual members, while protecting the basic integrity of its core programs for current members.

4.3H. *New Products & Services.* New products and services, which do not have a demonstrated link to the pricing for current programs, are financed from sources other than existing Trust funds.

4.3I. *Service Approach.* CIS trustees and staff recognize they are customers of, and service providers to, others with an interest in CIS. As such, CIS representatives communicate and treat people with respect and courtesy while consciously adding value to CIS' relationships with members, local agents, LOC/AOC, suppliers, citizens and other stakeholders.

4.3I(a). *Personal Responsibility.* Representatives of CIS accept personal responsibility and accountability for their own actions as they strive to create opportunities, remove barriers and ensure that CIS is highly valued by its members.

4.3J. Legislative Involvement. CIS acts as an information resource to members and LOC/AOC in presenting to appropriate legislative bodies and committees, data related to the cost of public body risk in Oregon.

# CITY/COUNTY INSURANCE SERVICES ADMINISTRATIVE TRUST

## BYLAWS

### ARTICLE 1

#### DEFINITIONS

Terms as utilized in the Bylaws shall have the meanings as set forth in this Article.

1.1. Administration. Administration shall include, without limitation, payment of costs and expenses related to loss prevention, claims administration, data processing, financial accounting and other Trust expenses, whether performed by the Trust or a Service Company. Capital expenditures for facilities and equipment necessary to carry out the purposes of the Trust shall be deemed as part of Administration.

1.2. Association of Oregon Counties. Association of Oregon Counties ("AOC") shall mean the Association of Oregon Counties, an intergovernmental agency established under the laws of the State of Oregon and having a principal place of business in Salem, Oregon.

1.3. Bylaws. The Bylaws shall mean the Bylaws of the City/County Insurance Services Trust as set forth herein and as amended from time to time whether before or after the date hereof.

1.4. Contribution. Contribution shall mean required payments to purchase excess insurance in the name of the Trust, to establish Loss Funds and any other necessary or prudent reserves, and to provide administration. The term Contribution does not include premiums paid to CIS for any insurance coverage provided on a group purchase or individual basis.

1.5. Executive Director. The Executive Director shall mean the person appointed by the Trustees, to be responsible for the daily activities of the Trust.

1.6. Fund Year. The Fund Year shall mean a twelve (12) consecutive month period chosen from time to time by the Trustees. The initial Fund Year shall end on June 30 unless the Board of Trustees shall provide otherwise. A Fund Year may be any period less than twelve (12) months if it is the first or last such year of the Fund or a year or years involving a change in the Fund Year.

1.7. Governing Body. Governing Body shall mean the City Council in cities, the Board of Commissioners or County Court in counties, and other similar governing bodies of authorities, agencies or entities eligible to become Members.

1.8. Insurer. Insurer shall mean any insurance company providing any insurance contract to the Trust and providing any benefit, directly or indirectly, for any Member or Participant, including, but not limited to, any such policy that the Trustees deem necessary or prudent for the proper operation of the Trust.

1.9. League of Oregon Cities. League of Oregon Cities ("LOC") shall mean the League of Oregon Cities, an intergovernmental agency established under the laws of the State of Oregon and having a principal place of business in Salem, Oregon.

1.10. Loss Fund. Loss Fund shall mean all Contributions made by Members for coverage pursuant to the Trust Agreement, Bylaws, Rules or other agreements pursuant or incident thereto; all of the sums, contracts, policies or properties received by the Trustees from the Members or other persons pursuant to the Trust Agreement, Bylaws, Rules or other agreements pursuant or incident thereto for the uses, purposes and trusts as set forth in the Trust Agreement, Bylaws and Rules; and all income, gains, and all other increments of any nature whatsoever, if any, therefrom.

1.11. Member. Member shall mean any city, county or other entity which becomes a Member pursuant to Article 2 of the Bylaws and whose membership has not been terminated or suspended pursuant to the Bylaws.

1.12. Official. Official shall mean any publicly elected or appointed official or employee of a Member or entity eligible to become a Member.

1.13. Participant. Participant shall mean any city, county or other entity purchasing insurance coverage through CIS which is offered on a group purchase or individual basis.

1.14. Premium. Premium shall mean any sum due to an Insurer.

1.15. Rules. Rules shall mean any Rules adopted by the Trustees pursuant to authority granted in the Trust Agreement or Bylaws, as amended from time to time whether before or after the date of adoption of the Bylaws.

1.16. Service Company. Service Company shall mean any person or agency (other than CIS) designated to operate or provide a claims administration service, a Loss Prevention Program or insurance accounting program or perform similar or other services as directed by the Board.

1.17. Surplus. Surplus shall mean those monies remaining in a Loss Fund after the payment of the costs of Administration and excess insurance, payment of claims and establishment of prudent reserves for outstanding claims.

1.18. Trust. Trust shall mean the City/County Insurance Administrative Trust ("CIS") and as the context requires all funds, property and assets of the Trust.

1.19. Trust Agreement. Trust Agreement shall mean the City/County Insurance Services Agreement and Declaration of Administrative Trust entered into by AOC and the LOC effective October 2, 2000 and as amended from time to time.

1.20. Trustee. Trustee shall mean each person then serving as Trustee pursuant to the Trust Agreement, including ex officio Trustees unless specifically indicated otherwise.

1.21. Trustees or Board of Trustees. Trustees or Board of Trustees shall mean the Board of Trustees established by the Trust Agreement.

## ARTICLE 2

### MEMBERSHIP AND PARTICIPATION

2.1. Eligibility to Become Member. Entities eligible to become Members or Participants of the Trust are:

2.1.1. Any Oregon city which is a member of the LOC.

2.1.2. Any Oregon county which is a member of the AOC.

2.1.3. Any other public body, as defined by ORS 30.260, which is created by a city or county under statutory or home rule charter authority.

2.1.4. Any Oregon community college created under ORS Chapter 341.

2.2. Such entities prior to becoming a Member or Participant must:

2.2.1. Complete such written application as the Trustees shall determine;

2.2.2. Pass by its governing body such resolution or contract as the Trust may prescribe;

2.2.3. Pay the Contributions or Premiums to the Trust determined pursuant to the provisions of the Bylaws and the Rules;

2.2.4. Meet all other criteria established and provide all information requested by the Trustees or an Insurer which Trustees deem necessary and prudent for the proper administration of the Trust, including but not limited to underwriting criteria; and

2.2.5. Receive written acceptance of Membership or Participation from the Trust.

2.3. Acceptance as Member or Participant by Trustees. As set forth in Section 2.2 of the Bylaws, an entity shall be accepted as a Member or Participant only upon the approval of the Trustees and any Insurer whose approval is required as a condition of providing insurance. The decision of the Trustees in this regard shall be final. Any such entity which has been refused the status as a Member or Participant in the Fund may again request such status after a period determined by the Trust.

2.4. Effective Time of Becoming a Member or Participant . The effective date upon which an entity may become a Member or Participant shall be determined by the Trustees and set forth in the Trustee's written notice of acceptance of membership or participation. Notwithstanding the foregoing, the date for commencement of membership or participation may be specified by such entity in its written request to become a Member or Participant, in which case such entity shall become a Member or Participant upon such date if approved by the Trustees.

2.5. Effective Date of Acceptance. Each entity, on becoming a Member or Participant, thereby agrees to be bound by the provisions and terms of the Trust Agreement, Bylaws, Rules,

other agreements pursuant thereto and any documents required by an Insurer, then in effect or that may be adopted from time to time by the Trustees.

2.6. Appeal from Denial of Membership or Participation. In the event an entity eligible to become a Member or Participant and which has made application therefor, has had membership or participation denied by the Executive Director or any Committee of the Board of Trustees, such entity may request the Board of Trustees to review such decision of denial. Such request for review shall be made within thirty (30) days of such denial by written notice to the Chairman of the Trust with a copy to the Executive Director. The Trustees shall meet at the time and place designated by the chairman, Procedural matters regarding the conduct of the hearing shall be the same as set forth in Section 2.9 hereof regarding membership and participation review and termination. No appeal shall lie from a denial of membership or participation as a result of any Insurer failing to give its required approval.

2.7. Term of Membership. Status as a Member will be continuous unless terminated by the Member or the Trust pursuant to the provisions of the Bylaws.

2.8. Termination of Membership. A Member may or shall be suspended or expelled from the Trust in accordance with the provisions set forth below.

2.8.1. Conduct that is determined by the Trustees in their sole absolute discretion pursuant to 2.11 of the Bylaws to warrant suspension or termination.

2.8.2. Failure to pay any Contribution to the Loss Funds or Premium required by the Trustees when due and owing. Any Member failing to make a Contribution or Premium required by proper notice may be suspended from Membership by action of the Executive Director without further action by the Board of Trustees. The Member's coverage and benefits hereunder shall immediately cease on the effective date of such notice. If the Member shall subsequently submit its payment, the Executive Director may, in his discretion, reinstate such Membership.

2.8.3. Failure to comply with the Trust Agreement, Bylaws, or Rules.

2.8.4. Failure to continue to meet the criteria required by any Insurer or the Trust including, without limitation, underwriting criteria.

2.8.5. Failure to comply in good faith with Loss Prevention Programs instituted by the Trust or non-cooperation with staff of the Trust regarding loss prevention procedures including, without limitation, training programs.

2.8.6. Unless otherwise provided in a particular policy of insurance, suspension or expulsion shall be evidenced and preceded by a sixty (60) day written notice to the Member from the Trustees except that ten (10) days notice shall be sufficient for non-payment of all or any part of a Contribution or Premium.

2.8.7. Termination of Participation. A Participant may be suspended or expelled from the Trust in accordance with, and for the reasons set forth in Section 2.8. Time limits and notice provisions shall be as set forth in the policy of insurance involved and applicable laws and regulations.

## 2.9. Withdrawal.

2.9.1. Each Member shall continue its membership for a period not less than that established for a coverage by the Trust, which period shall not exceed three (3) full Fund Years. If no such period is established, the membership period shall be one (1) full Fund Year. A Member may withdraw prior to the end of such period upon delivery to the Trust of a resolution adopted by the Member's governing body authorizing withdrawal. Such resolution shall be delivered 180 days prior to the effective date of withdrawal for three year membership periods and 60 days in all other cases. A Member withdrawing shall have no claim on the reserves being maintained by the Trust for losses incurred by the withdrawing Member. The Trust shall continue the servicing of any covered claim after the withdrawal of a Member.

2.9.2. If a Member does not give notice required pursuant to 2.9.1 above, a sum calculated as set forth below shall be deducted from any Distribution of Surplus, or any number of such Distributions, otherwise due to such Member, until total deduction(s) equals the contribution for the coverage from which the Member is withdrawing without notice, multiplied by 1.0 minus the loss ratio for the Trust for that coverage for the most current three-year period, as of the end of the Fund Year during which the notice was required to be given, multiplied by one-half if less than two full calendar years of a three-year membership period shall have been completed prior to withdrawal and by one-quarter otherwise.

2.9.3. In the case of withdrawal a Member shall remain liable for any Contribution which has or will have accrued for any Fund Year prior to the effective date of such withdrawal.

2.9.4. Participants may withdraw at any time upon 30 days written notice to CIS. Refund of any Premium will be determined in accordance with the terms of the insurance policy involved.

2.10. AOC and LOC Membership. All Members and Participants eligible for membership in AOC or LOC shall maintain membership in the AOC or LOC. On failure to do so Members or Participants shall be notified that their membership or participation in the Trust shall be terminated if AOC or LOC membership is not renewed prior to the due date of the next Contribution to the Trust in the case of a Member, or policy expiration in the case of a Participant which comes due thirty (30) days or more from the lapse in membership in the AOC or LOC. Such termination shall be effective as of the due date of such Member's next Contribution to the Trust or Participant's policy expiration. A Member or Participant not eligible to maintain full membership in AOC or LOC may satisfy the provisions of this section by maintaining any other membership status in AOC or LOC for which it is eligible.

## 2.11. Membership and Participation Review and Termination.

2.11.1. When in the determination of the Executive Director a Member has engaged in conduct, other than nonpayment of Contributions or Premiums, that warrants review of that membership or participation status, the Executive Director shall file a written report with the Trustees. Said report shall contain a summary of the facts and the

Executive Director recommendations regarding continued membership or participation status.

2.11.2. A copy of the Executive Director report shall be served by mail on the Member or Participant along with a notice of hearing of the Trustees. Such notice of hearing shall include the place, date and time of the hearing and a request for attendance at the hearing. At their discretion the Trustees may submit written questions to the Member or Participant, written answers to which must be mailed to the Executive Director no later than seven (7) calendar days prior to the date of the hearing. A Member or Participant objecting to the report and recommendations of the Executive Director shall have the right to submit a written statement to the Trustees setting out in detail the basis of the objection and any other information the Member or Participant desires to submit. Said statement must be mailed to the Executive Director no later than five (5) calendar days prior to the hearing. Such hearing shall be scheduled no less than ten (10) nor no more than twenty (20) days from the date of such notice of the Trustees; provided, however, that if the Trustees submit written questions to the Member or Participant, the date of such hearing shall be set or re-set so that such Member or Participant shall have at least fifteen (15) days from the mailing of such questions by or on behalf of the Trustees to prepare such written answers.

2.11.3. The Trustees shall meet at the time and place designated in the notice of hearing. The Member or Participant shall be entitled to be represented at the hearing and present an oral statement and other information.

2.11.4. Following the hearing, the Trustees shall affirm, modify, or reject the recommendation of the Executive Director. The Board shall have the authority to place a Member or Participant on probation, the terms and duration of which it shall determine. A copy of the Trust's decision shall be served by mail on the Member or Participant.

2.11.5. The action of the Trustees shall be final and binding.

2.12. Meetings of the Membership. One or more meetings of the Members of the Trust shall be held annually at such time and place as determined by the Trustees. Members shall be notified of the time and place of each meeting by at least ten (10) days written notice. Such notice may be by first class mail and may be included as part of any Trust publication.

### **ARTICLE 3**

#### **OBLIGATIONS OF MEMBERS AND PARTICIPANTS**

3.1. Obligations of Members and Participants. The obligations of Members and Participants of the Trust shall be as follows:

3.1.1. To appropriate all adequate available revenues, as permitted by applicable law, for and to pay promptly all Contributions and Premiums to the Trust at such times and in such amounts as shall be established by the Trustees within the scope of the Trust Agreement, Bylaws and Rules.

3.1.2. To allow the Trust and its agents reasonable access to all facilities of the Member or Participant and all records, including but not limited to financial records, which relate to the purposes or powers of the Trust.

3.1.3. To allow attorneys selected by the Trust or Service Company to represent the Member or Participant in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Member or Participant within the scope of coverage furnished by the Trust.

3.1.4. To furnish full cooperation with the claims adjusters, the Service Company and any agent, employee, officer or independent contractor of the Trust relating to the purposes and powers of the Trust.

3.1.5. To follow loss reduction and prevention procedures established by the Trust within the purposes and powers of the Trust.

3.1.6. To furnish to the Trust any budget and audit information of revenues and expenditures of the Member or Participant for any fiscal year for which figures are requested by the Trust.

3.1.7. To report as promptly as possible all incidents which could result in the Trust being required to consider a claim within the scope of coverage undertaken by the Trust

3.1.8. All information gathered or received by the Trust pursuant to any provision of these Bylaws shall be utilized by the Executive Director only in connection with the operation of and to further the purposes of the Trust and shall not otherwise be distributed, disseminated or communicated to any person unless authorized by the Board of Trustees or required by law.

3.2. Optional Defense by Member. The Trustees shall promulgate Rule(s) to permit Members a reasonable opportunity in casualty cases or claims to participate in their own defense or to prevent the settlement of such cases or claims by the Trust in a manner contrary to the wishes of the Member.

The Rule(s) shall provide that in the event that a Member exercises its privilege to prevent the settlement of a case or claim, the Member shall be responsible for any additional cost, including but not limited to legal and investigation expense and subsequent judgment or settlement, above the costs which would have been incurred had the Member not elected to prevent the acceptance of a settlement offer or proposal pursuant to this section.

3.3. Contractual Obligation. The provisions of Articles 2 and 3 of these Bylaws shall constitute a contract between each Member and Participant and the CIS Trust. The agreement of a Member or Participant thereto shall be evidenced by a properly signed application for Membership or Participation and a signed copy of a resolution or contract adopted by its governing body. Nothing herein contained shall be deemed to create any relationship of surety, indemnification guarantee or responsibility between Members or Participants for the debts of or claims against any other Member or Participant or on the part of any Member or Participant with respect to CIS or the Trust.



## ARTICLE 4

### MEETINGS

4.1. Regular Meetings. The Board of Trustees may provide, by resolution, the time and place, for the holding of regular meetings without other notice than such resolution.

4.2. Special Meeting. Special Meetings of the Board of Trustees may be called by the Chairman or any four (4) Trustees. The person or persons authorized to call any such Special Meeting may fix the time and any place, within the State of Oregon, for the holding of any such Special Meeting of the Board of Trustees called by him or them. Any such meeting may be called upon at least five (5) days written notice delivered personally or mailed to each such Trustee at his or her business address or residential address, or by facsimile. Such notice shall specify the date, time, place and purposes thereof.

4.3. Attendance at Meeting. The attendance of a Trustee at any meeting of the Board of Trustees shall constitute a waiver of notice of such meeting, except where a Trustee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.4. Action by Trustees Without a Meeting. Any action, other than an appeal pursuant to sections 2.5, 2.6 or 5.1.15, which may be taken at a meeting of the Trustees may be taken without a meeting if a consent in writing setting forth the actions so taken shall be signed by all of the Trustees then serving.

## ARTICLE 5

### OFFICERS OF THE BOARD OF TRUSTEES

5.1. The Trustees shall annually elect from themselves, as provided by the Trust Agreement, a Chairman and a Vice-Chairman, for a term from July 1 of the year in which elected to June 30 of the following year. The Chairman shall preside at all meetings of the Trustees. The Vice-Chairman shall preside at all meetings in the absence of the Chairman. In the absence of both the Chairman and the Vice-Chairman the Trustees constituting a quorum may elect a Chairman pro-tem for purposes of conducting a meeting and transacting Trust business. The Trustees shall also elect a Secretary who may or may not also be a Trustee. The Secretary shall cause the records of the proceedings of the meetings of the Trustees to be kept and maintained. All such officers of the Board of Trustees who are also Trustees may vote on any issue or matter properly before the Board of Trustees.

## ARTICLE 6

### COMPENSATION OF TRUSTEES

6.1. The Trustees may reimburse themselves for reasonable expenses properly and actually incurred in the course of acting as Trustees. To the extent that such Trustee is reimbursed by a Member or other entity for expenses as Trustee, such Trustee shall not be so reimbursed, but such reimbursement may be paid to the Member or other entity, as the case may be, with respect to which such Trustee is an Official.

## ARTICLE 7

### COMMITTEES

7.1. Investment Committee. The Trustees may establish an Investment Committee. In selecting committee members the Board shall consider investment expertise and personal and professional qualifications and shall make appointments for such terms as it may deem desirable.

7.2. Underwriting Committee. The Trustees may establish an Underwriting Committee. The duties of the Underwriting Committee shall be determined by the Trustees but may include recommendations regarding development of underwriting standards and rating procedures, and review of applications for membership or participation.

7.3. Loss Prevention Committee. The Board of Trustees may establish a Loss Prevention Committee. The duties of the Loss Prevention Committee shall be determined by the Trustees, but may include arranging for and evaluating the regular conduct of loss control services, production of recommendations to prevent losses, maintenance of a loss control manual and the conduct of seminars regarding loss control.

7.4. Advisory Committees. The Board of Trustees may, in its sole, absolute discretion appoint advisory committees to the Board of Trustees or any Committee of the Board comprised of individuals who are not Trustees but whose expertise, experience or knowledge may be helpful to the Trustees in the performance of their duties. The Board of Trustees may provide for such compensation to such members of any advisory committee as it shall in its sole discretion determine.

## ARTICLE 8

### ADMINISTRATION

8.1. Appointment of an Executive Director. The Trustees shall appoint an Executive Director to manage the daily affairs of the Trust. The Executive Director shall serve under such terms and conditions as the Trustees shall prescribe. Such Executive Director shall not be an owner, officer or employee of any Service Company. The duties of the Executive Director shall include, without limitation, carrying out of policies established by the Board, locating and recommending various contractors, supervising and reporting on contractor's performance, the provision of financial and accounting reports and the maintenance of excess reinsurance or other insurance. In addition, the Executive Director shall:

8.1.1. Pay claims to or on behalf of the Members in accordance with purposes of the Trust Agreement, Bylaws, Rules and coverage documents.

8.1.2. Create a reserve for the payment of claims.

8.1.3. Pay or provide for the payment on behalf of Members and Participants hereunder all Premiums as they become due to an Insurer on any policy of insurance.

8.1.4. Cause to be maintained accounts of all investments, receipts, disbursements and all other transactions affecting funds or property of the Trust.

8.1.5. Engage an independent certified public accountant to perform a financial audit of the Trust at least once per Fund Year and to report regarding such audit to the Members at the meetings of the Members.

8.1.6. Engage an independent and qualified actuary to perform actuarial calculations and provide advice regarding the sufficiency of the Loss Funds as frequently as is required for prudent management.

8.1.7. Maintain minutes of all meetings of the Trustees and Members and cause copies thereof to be distributed in a timely manner to all Trustees.

8.1.8. Publish such claim reports, financial statements and actuarial projections as necessary to advise Members of the current and projected financial status of the Trust.

8.1.9. Pay all taxes and assessments that may be levied or assessed under existing or future laws upon, or in respect of, the Trust or its income.

8.1.10. Cause the terms and provisions of the Trust Agreement, the Bylaws and the Rules to be performed and carried out and the assets of the Trust to be properly held and administered.

8.1.11. Pay or provide for the payment of all reasonable and necessary expenses of administering the Trust and all charges reasonably incurred by the Trustees in protecting the funds and property of the Trust and in carrying out the purposes of the Trust.

8.2. Bonds and Insurance. Any Executive Director, employee or agent shall be required to be bonded or insured in a form and amount set by the Trustees. The cost of such bonds or insurance shall be paid as an expense of the Trust.

8.3. Service Company. If services are not otherwise provided by the Trust, the Board shall obtain the services of a Service Company for the purpose of servicing claims. The Service Company shall adhere to guidelines for the performance of its duties as set forth by the Trustees.

## ARTICLE 9

### AMENDMENTS

9.1. Method of Amendment. The Bylaws may be amended at any time by a written instrument approved by the Trustees then serving, a copy of which shall be furnished to each Trustee.

9.2. Limitation on Amendments. No amendment shall be adopted which alters the basic purpose of the Trust, conflicts with the Trust Agreement or with any applicable law or government regulation, causes the use or diversion of any part of the Trust for purposes other than those authorized by the Trust Agreement, or retroactively deprives any person of a vested right or interest.

## ARTICLE 10

### GENERAL PROVISIONS

10.1. Title to Trust Assets. Title to the funds and property of the Trust, including without limitation Loss Funds, shall be vested in and remain exclusively in the Trustees and no Member shall have any right, title or interest in the Loss Funds nor any right to Contributions made or to be made thereto, nor any claim against any Member on account thereof, except only as provided from time to time by the Bylaws.

10.2. Nonalienation of Benefits. The funds and property of the Trust, including without limitation Loss Funds, shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge by any person other than the Trustees and their duly authorized representative to the extent and for the purposes as herein specifically provided.

10.3. Examination of Books and Records by the Trust. The Trust, its agents, employee or attorneys shall be permitted at all reasonable times prior to the expiration of two (2) years after the termination of a Member's participation in the Trust to examine the Member's books, vouchers, contracts, documents and records of any and every kind which show or tend to show or verify the amount which is payable from the Fund to such Member or any of its Employee.

10.4. Examination of Books and Records by Members. Any member, or their designated representative, shall be permitted to examine the Trust's books, contracts, documents and records. However, such examination shall not extend to matters relating to other Members. Such examination shall be limited to such times and places as is reasonable. The cost of copying, transcribing or abstracting records shall be borne by the Member.

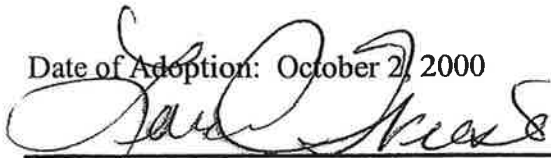
10.5. Right to Obtain Adjudication of Disputes. In the event any question or dispute shall arise as to the property or person or persons to whom any payment shall be made from the Fund, the Trustees may withhold such payment until an adjudication of such question or dispute satisfactory to the Trustees in their sole absolute discretion shall have been made, or the Trust shall have been adequately indemnified against loss.

10.6. Notice of Delivery of Documents. Any notice required to be given hereunder, except as otherwise provided, shall be in writing and by certified mail, return receipt requested and shall be deemed to have been given as of the date of posting to whomever may properly receive legal service of process for the addressee of such notice. Any notice actually received shall be deemed properly given whether or not pursuant to the provisions of the Bylaws.

10.7. Gender, Number and Captions. Wherever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine or neuter gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply. Titles of articles and headings of sections and subsections are inserted for convenience of reference only and are not to be considered in the construction hereof.

10.8. Construction. This Agreement is created and shall be construed in accordance with the laws of the State of Oregon. All questions pertaining to its validity or construction not otherwise preempted shall be determined in accordance with the laws of the State of Oregon. If any provision contained in the Bylaws or Rules should be held invalid, unenforceable or unconstitutional the remainder of the provisions not subject to such adjudication shall not be affected and shall continue in full force and effect. If any provision contained in the Bylaws or Rules should be held invalid, unenforceable or unconstitutional as to any Member or Participant, the provisions of the Bylaws and Rules shall continue in full force and effect as to any or all other Members and Participants.

Date of Adoption: October 2, 2000



Chairman, CIS Board of Trustees

October 2, 2000

Date

Date: August 17, 2001  
To: CIS Members and Local Agents  
From: Noel J. Klein, Executive Director  
Re: CIS Membership Documents Notebook

Recently you received a CIS Membership Documents Notebook. One of the tabs in the notebook refers to the CIS Trust Agreement, Bylaws and Rules. Along with the specific coverage documents, these items are an integral part of the contract between CIS and its members because they spell out the obligations and entitlements of membership in CIS' joint self-insured pools.

The CIS Bylaws calls on members to express their agreement to join CIS in two ways:

- (1) By signing an application for membership or participation.  
*This occurs when a representative of the entity signs and returns the proposal form request coverage each year, and*
- (2) By providing CIS with a signed copy of a resolution adopted by the governing body that affirms the entity's acceptance of membership in the joint self-insured pool.  
*This occurs when a Member initially joins the pool and when changes have been made to the underlying Trust documents.*

Because the Trust Agreement, Bylaws and Rules were revised during the past year, members are being asked to sign a new resolution affirming that they accept coverage consistent with the new documents. The Notebook includes a copy of a model resolution for this purpose.

When the Notebook was assembled, the Rules were inadvertently omitted. They are enclosed with this letter, together with a brief explanation of changes to the documents. Please insert these items in your Notebook behind the CIS Trust Agreement, Bylaws and Rules tab.

## **Summary of Major Changes in CIS Trust Agreement, Bylaws, Rules for 2001-2002**

### **A. Declaration of Administrative Trust Agreement:**

The Declaration is an agreement between LOC and AOC. It is CIS' "charter" document and expresses what the associations' expect from CIS. The Administrative Trust Agreement empowers the CIS Board of Trustees to execute the provisions of the three trusts administered by the Board. These trusts are the CIS Trust, which offers property, liability and workers' compensation coverage, the Employee Benefits Trust (EBS) and the Association of Oregon Counties Insurance Trust (AOCIT), both of which offer employee benefits coverage.

Changes incorporated in the October 2000 Administrative Trust Agreement make it clear that it was the administration of these three trusts, rather than the Trusts themselves, that was consolidated in 1994. The Agreement describes how the three underlying Trusts are to be administered.

#### *Explanation of Revisions*

##### *Opening Paragraph.*

Revisions clarify and eliminate redundant language

##### *Recitals Paragraph I*

Language clarifies that the Declaration is an intergovernmental agreement under ORS Chapter 190.

##### *Recitals Paragraph II*

These paragraphs succinctly spell out CIS historical events and documents in a single section.

##### *Recitals Paragraph III*

Revisions to clarify and simplify prior language

##### *Recitals Paragraph IV*

Clarifies that the prior Declaration and Agreement is ratified as well as revised without rescinding amendments to other Trust documents.

##### *Article 2*

Clarifies that the Oregon Tort Claims Act applies to Trustees and employees. Historical and redundant language eliminated.

##### *Article 3*

Places in one section the purposes and primary objectives of CIS.

##### *Article 4*

Outlines the powers and duties of the Board of Trustees. Eliminates organization language and places it in Bylaws.

##### *Article 5*

Eliminates language that is inconsistent with Open Meetings Law. Includes requirement to prepare an annual budget.

##### *Article 6*

Changes are primarily editorial.

##### *Article 7*

Changes attempt to clarify confusion regarding definition of terms as well as clarify the provisions of this article.

## Article 8

Article 8 in the prior agreement has been deleted because the paragraph about collective bargaining is governed by state law and has no effect.

New Article 8 refers to dissolution or termination of this Administrative Trust. In effect, LOC and AOC can dissolve this trust while not affecting the other three trusts.

## Appendix

The appendix in the prior agreement has been eliminated.

## B. Bylaws

The Bylaws are established by the CIS Board of Trustees. Trustees cannot give themselves powers or duties that have not been delegated by LOC or AOC in the Declaration creating the Administrative Trust. The recent amendments to the Bylaws make them consistent with the Administrative Trust Agreement.

### *Explanation of Revisions*

#### Title

Now incorporates the word “Administrative” trust.

#### Article 1

Redundant language is removed. Language that is not definitional is eliminated since it is incorporated in applicable Rules.

#### Article 2

Formatting and editorial changes only. Membership in CIS is still continuous until terminated.

#### Article 3

Removes unnecessary and redundant language. This article outlines the contractual obligation that exists between a Member, Participant and the CIS Trust.

#### Article 4

Eliminates language in old Bylaws regarding appointment and resignation of trustees because these are powers over which trustees have no control. Article re-titled as “Meetings” and addresses meetings of the Board.

#### Article 5

Old Article 5 has been eliminated as only LOC and AOC can determine the powers of trustees and this has been done in the Administrative Trust Agreement.

New Article 5 identifies Officers of the Board of Trustees.

#### Articles 6 & 7

Language in old Articles 6 & 7 is eliminated. Accrual of Net Income (Surplus) and Loss Fund Protection are addressed in the Rules

New Article 6 incorporates prior language in old Article 5 regarding compensation of trustees.

New Article 7 restates prior language in old Article 5 relating to Committees.

#### Article 8

Old Article 8 language regarding termination is eliminated because LOC and AOC are the only ones with authority to adopt these provisions.

New Article 8 restates old Article 5 language relating to Administration. The relationship between the Board and staff is further defined in the Board’s Governance Policies. These policies are also included in the membership documents notebook.



Articles 9 & 10

Retained and renumbered.

C. Rules

Rules are adopted by the CIS Board of Trustees to guide members and staff regarding key operating provisions of the CIS Trust.

New language in Rule 1 consolidates language formerly found in old Rule 1 (Net Income Distribution), Rule 2 (Contribution and Loss Allocation) and a Board Policy Statement on Loss Fund Surplus adopted in April 1989. Rule 1 now describes, in the one document, how CIS Loss Funds are constituted, the circumstances under which Deferred Contributions may be collected and the manner in which any distribution of Surplus from the Loss Funds will be made.

Rules 2, 3, & 4 are re-numbered to fit the current sequence.

D. Governance Policies

The Board of Trustees has adopted Governance Policies that clarify its own role in overseeing the operations of the trusts and outline its expectations of CIS staff. These policies provide members with a sense of how CIS is administered.

NJK

August 15, 2001

**CITY COUNTY INSURANCE SERVICES TRUST  
LOSS FUND PROTECTION AND SURPLUS DISTRIBUTION  
RULE NUMBER 1**

This Rule, effective July 1, 2001, supercedes and replaces Rule Number 1 ("Net Income Distribution"); Rule Number 2 ("Contribution and Loss Allocation"); and the policy statement on "Loss Fund Surplus" dated April 14, 1989.

The City County Insurance Services (CIS) Board of Trustees adopts the following rule regarding the protection of CIS Trust Loss Funds for pooled self-insurance operations and the distribution of surplus from such funds.

**A. Loss Funds.**

CIS Trust Loss Funds consist of Member Contributions, investment earnings and other miscellaneous revenue.

For such coverage as the Member elects in a Fund Year, an "Initial Contribution" is charged in accordance with CIS rating guidelines. CIS rates are based on estimated losses expected expenses and a prudent level of reserves determined by the Board.

In any one Fund Year, the Board's targeted reserve funding level is an amount sufficient to pay the maximum probable claims in that year at confidence levels determined by the Board upon the advice of its consulting actuary.

"Initial Contributions" represent a deposit into the Loss Fund against which losses and expenses are charged.

The Board may impose "Deferred Contributions" as described in Section B of this rule, in the event that:

- (1) Ultimate losses and expenses exceed Loss Fund revenues for the Fund Year, and
- (2) In the judgement of the Board, this shortfall presents a threat to the overall fiscal viability of the Trust's Loss Funds,

The Board may declare a Surplus distribution as described in Section C of this rule when Loss Fund amounts exceed ultimate losses, expenses and the Board's target level for outstanding claims reserves.

### **B. Deferred Contributions:**

If the Board determines that the collection of "Deferred Contributions" is necessary in order to protect Member assets in one or more Loss Funds, then the following will apply:

- (1) Deferred Contributions shall be assessed against the Members who participated for such coverage during the Fund Year for which such Deferred Contribution applies. Amounts due shall be in the proportion that each such Member's contribution and share of losses bear to the total contributions and shared losses of all Members for such coverage in such Fund Year.
- (2) An Entity that participated as a Member during the Fund Year for which Deferred Contributions are assessed is obligated to pay such Deferred Contribution when requested by the Board, regardless of its membership status at the time such Deferred Contributions are imposed.
- (3) The total of all contributions paid by a Member for a coverage for a Fund Year, including any Deferred Contributions paid pursuant to this rule, shall be used for purposes of determining distribution of Surplus as described in Part C of this rule.
- (4) Members shall be notified by January 31 if the Board proposes to collect Deferred Contributions in the upcoming fiscal year beginning July 1. The Board shall advise Members of their individual Deferred Contribution amount not later than March 31. Such amount will be due and payable at the same time as contributions for fiscal year coverage.
- (5) A Member's Deferred Contribution will not exceed 50% of its Initial Contribution.

### **C. Surplus Distribution.**

"Surplus," is defined in the CIS Bylaws (Article 1.17) as "those monies remaining in a Loss Fund after the payment of the costs of administration and excess insurance, payment of claims and establishment of prudent reserves for outstanding claims"

No distribution of Surplus funds will be made until reserve funds for outstanding claims have been accumulated to the target levels set by the Board, and then only to the extent such reserve levels are not impaired.

If the Trustees determine that, consistent with this rule, a distribution of Surplus is appropriate, funds shall be distributed to the Members in accordance with the following:

- (1) If the Board declares a distribution of Surplus funds for one or more Fund Years, it may direct staff to offset such distribution for individual Members by some, or all, of any Deferred Contributions that Member may be required to pay under Part B of this rule.
- (2) No Member shall have a right to any specific share of Surplus funds except as herein provided.
- (3) Distributions, as determined herein, and with appropriate offset for Deferred Contributions, shall be by means of loss stabilization credits held in the name of the Member and available to apply against future contributions or, at the sole discretion of the Board, by means of cash payments to current Members. Loss stabilization credits accruing to non-Members expire on July 1 following three complete Fund Years after the distribution is made.
- (4) No distribution of Surplus shall be made in any manner to any Member which withdraws prior to the end of the period of Membership established by the Trust, which period shall not exceed three (3) full Fund Years.
- (5) At such time as the Board determines an amount of Surplus available for distribution, said Surplus shall be distributed as follows:
  - i. One-third (1/3) of the Surplus will be distributed to Members who made contributions in the Fund Year, for the coverage for which Surplus is to be distributed. The proportion is that which each Member's contribution bears to the total contributions of all Members in the Fund Year, for the coverage for which Surplus is to be distributed.
  - ii. Two-thirds (2/3) of the Surplus will be distributed to Members who made contributions in the Fund Year, for the coverage for which Surplus is to be distributed. The proportion is that which each Member's contributions, less incurred losses, bears to the total contributions, and less total incurred losses, of all Members in the Fund Year, for the coverage for which Surplus is to be distributed. However, no distribution shall be made of the two-thirds of Surplus to Members whose contributions, in the Fund Year, for the coverage for which Surplus is to be distributed, are less than their incurred losses.
- (6) More than one distribution may be made for a given coverage for any Fund Year. In the event of a second, or subsequent, distribution the amount to be distributed to a Member shall be computed in accordance with this rule, based on contributions and loss information as of the date of such later distribution. The amount so determined shall be reduced by any amounts previously distributed to the Member. No adjustment will be made due to changes in incurred losses after the date of the distribution.

**D. Other Provisions.**

The following also apply to CIS Loss Funds.

- (1) Payment of Claims. The Trust will make or secure payment or settlement of claims in accordance with the terms and conditions of the coverage agreements.
- (2) Excess Losses. In the event that a single loss or series of losses may exceed the amount of protection afforded by the Loss Fund, other insurance carried by the Trust and provisions for Deferred Contributions under this rule, payment of valid losses shall be the obligation of the individual Member or Members against whom the claim(s) were made and perfected by judgment or settlement.
- (3) Transfer Among Loss Funds. The Trustees may, in their sole discretion, transfer monies among CIS Trust Loss Funds, in the event of a deficit in any one Loss Fund in a Fund Year. However, such transfers shall be made only when there is a reasonable expectation that repayment can be made from future contributions and earnings of the Loss Fund that has incurred the deficit.

**CITY COUNTY INSURANCE SERVICES TRUST  
APPLICATION OF AGGREGATE PAID LOSS DEDUCTIBLE  
RULE NUMBER 2**

Adopted April 6<sup>th</sup>, 2001.

The following supercedes and replaces Rule 3 adopted 8/16/91

The City County Insurance Services Trust (CIS) adopts the following Rule regarding the application of aggregate paid loss deductibles for all Fund Years beginning on or after July 1, 1987.

1. Paid losses shall be invoiced and paid quarterly. Amounts due under the deductible shall be considered Contributions subject to the provisions of Articles 2.8 and 3.1.1. of the CIS Bylaws.
2. For ease of administration, the liability deductible shall apply jointly to general automobile liability losses. The obligation of the Member to pay for losses shall cease when the aggregate amount paid equals the amount of the deductible, regardless of the type of the claims involved.
3. CIS and any Member with a deductible may, by mutual written agreement, agree to a liquidated value for the remaining payments due under the deductible.
4. Surplus Distribution which may be due to a Member pursuant to Rule Number 1 shall be computed as if the Member had no deductible. From such distribution shall be deducted the savings, if any, resulting to the Member from the deductible. For liability coverage such savings shall be computed by allocating the deductible between general liability and automobile liability based on initial contributions, less paid losses for each coverage.
5. For liability coverage, Contributions and Loss Allocation pursuant to Rule Number 1 shall be computed as if the Member had no deductible and the full amount of the initial Contributions had been paid.

**CITY COUNTY INSURANCE SERVICES TRUST  
OPTIONAL DEFENSE BY MEMBER  
RULE NUMBER 3**

Adopted April 6<sup>th</sup>, 2001.

The following supercedes and replaces Rule 5 adopted 8/16/91

The City County Insurance Services Trust (CIS) adopts the following Rule relating to Optional Defense by Member, pursuant to Article 3.2 of the Trust Bylaws.

1. In any casualty case or claim where CIS staff or claims administrators reasonably believe a Member will object to settlement, the following actions shall be taken:
  - a. The Member shall be advised in writing of the nature of the proposed settlement and of the Trust's reason, in summary, for recommending such settlement.
  - b. The Member shall be advised in writing of its right to refuse to accept the settlement, on the terms set forth in the Trust Bylaws.
2. A Member electing to refuse a settlement shall execute an agreement with the Trust accepting responsibility for all additional costs as set forth in Article 3.2 of the Trust Bylaws.
3. The Member shall have the option of assuming the defense of the case or claim, in which event the Trust shall tender to the Member such sum as was payable under the terms of the settlement rejected by the Member. Otherwise, the Trust will continue to administer the case or claim, and any associated legal defense, with all amounts expended thereupon, in excess of the amount of the settlement rejected pursuant to this rule, payable by the Member.

**CITY COUNTY INSURANCE SERVICES TRUST  
WORKER'S COMPENSATION DEFERRED CONTRIBUTION  
RULE NUMBER 4**

Adopted August 16<sup>th</sup>, 1991.

City County Insurance Services (CIS) Trust has deferred a portion of workers' compensation Contributions for larger Members of the CIS Workers' Compensation Group. The following policy sets forth the terms under which such deferred Contributions may be collected for all Fund Years beginning on or after July 1, 1986.

1. Initial determination of the amounts to be collected shall be made at the end of the 30<sup>th</sup> month of the Fund Year if the reserves are reasonably stable. However, the Trustees may, in their sole discretion, select such later date, as may be appropriate if the reserves for some or all Members are subject to significant change.
2. If the Member's loss ratio is between 60% and 100%, the deferred Contribution due shall be prorated. If the Member's loss ratio exceeds 100%, the entire deferred Contribution shall be due.
3. Each Member shall be advised of the initial determination of the amount of deferred Contribution calculated as due under Numbers 1 and 2 above.
4. The final determination of the amount of deferred Contribution due shall be made at the end of the 36<sup>th</sup> month of the Fund Year, unless the initial determination shall have been delayed under Number 1 above. In such case, the final determination shall be delayed by a similar time.
5. No deferred Contribution shall be collected from a Member unless the Member shall have been advised of the final amount due under Number 4 above six months prior to the start of the Member's fiscal year in which the deferred Contribution is due.
6. For Fund Year 1986-87, for which deferred Contribution is contingent upon the loss ration of the entire group, the entire deferred Contribution may be collected if the group loss ration exceeds 60%. The Trustees may, in their sole discretion, choose to collect less than the entire amount due based on the group loss ratio.