

(As of December 3, 1999)

**GEORGIA SCHOOL BOARDS ASSOCIATION
WORKERS' COMPENSATION FUND**

BY-LAWS

ARTICLE I

Name and Location

Section 1. Name. The name of the organization shall be the "Georgia School Boards Association Workers' Compensation Fund," hereafter referred to as the "Fund."

Section 2. The address of the principal office and registered office of the Fund shall be determined by the Board of Trustees and appropriate notice shall be provided to all applicable state agencies of any change in the principal or registered office of the Fund.

Section 3. Authority. These by-laws are adopted pursuant to and in compliance with the laws of the State of Georgia governing self-insurance workers' compensation funds and the applicable regulations of the Commissioner of Insurance. To the extent any provision or clause in these by-laws conflict with any valid law or regulation existing at the time these by-laws are adopted or passed or promulgated hereafter, the law or regulation shall control.

ARTICLE II

Purpose

The purpose of the Fund is to develop, implement and administer a program of workers' compensation self-insurance for its members. The Fund shall operate solely for the mutual and exclusive benefit of its members as an unincorporated non-profit entity. The Fund will seek to provide its members with a workers' compensation program at an competitive cost, an improved

Loss Control Program and programs to promote safety, reduce accidents and injuries to employees of its members.

ARTICLE III

Membership and Meetings

Section 1. Members. Membership in the Fund shall be available only to public school districts in the State of Georgia, Regional Educational Service Agencies in the State of Georgia and the Georgia School Boards Association, Inc. Members must satisfy all qualifications and requirements adopted by the Trustees of the Fund as well as those promulgated by the State Insurance Commissioner.

Section 2. Approval of Membership. All members must be approved by the Board of Trustees. Each applicant for membership shall submit to the Fund and to the Commissioner of Insurance an application consistent with the requirements of regulations promulgated by the Insurance Commissioner and containing any additional information requested by the Fund, not inconsistent with the requirements of those regulations. The Fund shall respond within 30 days, or such shorter time if required by state law or applicable regulation, to notify the prospective member and Insurance Commissioner of its evaluation of the application and recommendation as to whether the applicant should be admitted as a member of the Fund. Upon approval by the Insurance Commissioner, the applicant shall be notified by first class mail and any other means deemed appropriate by the Fund of the effective date of membership in the Fund, such effective date to be on or after the date of the Commissioner's approval. Any application for membership may be withdrawn without penalty if notice is given by certified mail to the Fund and to the Insurance Commissioner prior to the date of notice by the Fund of the effective date of membership. An application for membership may be rejected by the Fund or the Commissioner

if the Fund determines that the applicant lacks the financial ability or for any other reason would be unlikely to meet its obligations as a member of the Fund.

Section 3. Initial Contribution. The Board of Trustees or the administrator of the Fund, with the approval and authorization of the Board of Trustees, shall determine the initial contribution to be paid by each applicant to become a member of the Fund, consistent with state law and regulations of the Insurance Commissioner. If the Insurance Commissioner does not act to disapprove an application of a prospective new member which has been approved by the Fund within 90 days, the applicant, upon payment to the Fund of its proportionate share of the initial contribution, shall become a member of the Fund and will share in the liabilities and assets of the Fund in accordance with the by-laws, applicable law and regulations. Each applicant's initial contribution shall be reasonable in relationship to the proportionate shares paid by the other members of the Fund.

Section 4. Meetings. A regular meeting of the membership of the Fund shall be held at least annually, at a time and place established by the Board of Trustees. The membership may also hold special meetings at such time and place as may be called by the Board of Trustees or by any 10 members giving notice to the Chairman of the Board of Trustees. All provisions governing notice of meetings of the Board of Trustees shall be applicable to meetings of the membership. The official representative of each member shall be the Chairman of the governing board or such other board member or employee designated by action of the governing board communicated to the Secretary of the Fund in writing. Each member of the Fund shall have one vote. A quorum of the membership shall consist of forty percent (40%) of all members at the time of the meeting. At each annual meeting of the membership, the Chairman shall submit a statement of the claims experience of the Fund during the preceding year and a financial report

for the same period. At each annual meeting, the membership, by a majority vote of those present, may elect new Trustees, elect replacement Trustees to fill unexpired terms or vote to remove Trustees consistent with the provisions of these by-laws, state law and applicable regulations.

ARTICLE IV

Board of Trustees

Section 1. Organization and eligibility. The business and property of the Fund shall be managed and governed by a Board of Trustees to consist of nine (9) members. Eight of the Trustees shall be elected by the membership to serve for terms of three years each and until their successors are duly elected and qualified. No person shall be eligible to serve as a member of the Board of Trustees who is not a board member, officer or employee of a member in good standing of the Fund. If any Trustee ceases to be a board member, officer or employee of a member of the Fund during his or her term of office, a vacancy shall immediately exist on the Board of Trustees and that individual shall no longer be eligible to serve in that capacity. The ninth member of the Board of Trustees shall be a member of the Board of Directors of the Georgia School Boards Association, Inc. appointed by the President of the Georgia School Boards Association, Inc. to serve a three year term. If, at any time and for any reason, this individual ceases to be a member of the Board of Directors of the Georgia School Boards Association, a vacancy in this position shall immediately occur and be filled by the President of the Georgia School Boards Association, Inc. Nothing shall prohibit a member of the Board of Trustees from also serving as a member of the Board of Trustees of the Georgia School Boards Association Risk Management Fund pursuant to the bylaws of that fund. All Trustees shall serve staggered terms as determined and maintained by the Board of Trustees. New Trustees to be added shall serve initial terms of a

length to be established by the membership so as to maintain staggered terms among the Board of Trustees.

Section 2. Vacancies. Any vacancy arising in any of the eight Trustee positions to be filled by the membership shall be filled for the balance of the existing term of that Trustee by majority vote of the Board of Trustees in either regular or special meeting or by telephone conference call, letter or such other means as the Board of Trustees shall designate. Alternatively, any such vacancy shall be filled by vote of the membership in regular or special meeting.

Section 3. Duties of Trustees. The duties of the Board of Trustees shall be as follows:

- (a) Supervise the administration of the Fund;
- (b) Employ an administrator or administrators to handle all or various components of the duties and responsibilities of the Fund, legal counsel, accountants and such other professionals or consultants as they from time to time shall deem necessary;
- (c) Contract for reinsurance with the advice of any administrator or consultant employed for that purpose;
- (d) Set requirements for the admission and continued participation of members of the Fund in order to promote the safe and proper operation of the Fund with financially stable members who employ superior Loss Control practices;
- (e) Endeavor to see that the Fund is safely and prudently administered to insure its financial stability;

(f) Adopt rules and regulations necessary or appropriate for the efficient operation of the Fund;

(g) Perform any other function required of a governing body of such a Fund consistent with the laws of the State of Georgia and regulations of the Insurance Commissioner;

(h) Take all necessary precautions to safeguard the assets of the Fund, including but not limited to the following:

(1) Retain control of all monies collected by the Fund and disperse funds in accordance with the guidelines of the Fund and all applicable state laws and regulations;

(2) Cause the accounts and records of the Fund to be audited periodically or at any time which may be required by state law or applicable regulations;

(3) Adopt, implement and enforce rules, regulations and by-laws governing its officers and members, providing for the proper administration of the Fund, the admission of members of the Fund, the suspension and termination of members of the Fund and other necessary matters consistent with the laws of the State of Georgia and applicable regulations;

(i) Purchase fiduciary bonds, officers and employees' errors and omissions liability insurance coverage and other liability insurance coverage as deemed appropriate;

Section 4. Delegation of Certain Powers. The Board of Trustees may delegate to an administrator or claims administrator the authority to act on all or designated claims and related matters.

Section 5. Regular Board Meetings. Regular meetings of the Board of Trustees shall be held at least annually at a time and place to be determined by the Board of Trustees or, in the absence of board determination, by the Chairman. The Chairman shall give notice of the time and place of all regular meetings of the Board of Trustees at least five days before such meetings.

Section 6. Special Board Meetings. Special meetings of the Board of Trustees may be called at any time by the Chairman or any two Trustees. A request for a special meeting shall be given to the Chairman who shall in turn notify the members of the Board of Trustees as to the time, place and location of any special meeting. Notice of special meetings may be given by telephone, facsimile or by mail. Notice of special meetings, however, must be given not less than three days before any special meeting is to be held.

Section 7. Waiver of Notice of Meeting. Notice of any meeting of the Board of Trustees may be waived either in writing or by attendance at the meeting. Attendance of a trustee at a meeting shall constitute a waiver of notice of the time and place 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 properly called or convened.

Section 8. Trustee Action Without Meeting. Any action which may be taken at a regular or special meeting of the Board of Trustees may be taken without a formal convened meeting if a consent in writing, setting forth the action so taken, is signed by all of the Trustees. Such consent shall have the same force and effect as a unanimous vote of the Trustees taken in a formal convened general or special meeting of the Board of Trustees. The Board of Trustees may also meet and take official action by conference telephone call or through the use of facsimiles, e-mail or other electronic means. Any action proposed to be taken through such a means shall require the same notice as any other special meeting of the Board of Trustees.

Section 9. Quorum. A majority of the Trustees shall constitute a quorum for the transaction of all business at any regular or special meeting of the Board of Trustees.

Section 10. Voting of Trustees. Each trustee shall have one vote and a majority of the Trustees in attendance at any meeting shall be required to pass on any matter properly coming before the Board of Trustees.

Section 11. Expenses of Trustees. All reasonable and necessary travel, lodging and telephone expenses incurred by the Trustees in the performance of their duties may be reimbursed to the Trustees by the Fund as long as such reimbursement is not inconsistent with the regulations of the Insurance Commissioner.

ARTICLE V

Officers

Section 1. Designation of Officers. The Board of Trustees shall elect a Chairman, a Vice-Chairman, a Secretary, a Treasurer and such other officers as the Trustees deem appropriate. The offices of Secretary and Treasurer may be combined and both offices may be held by one person. In the discretion of the Board of Trustees, the Executive Vice President of the Georgia School Boards Association may be elected as the Secretary or Secretary/Treasurer of the Fund.

Section 2. Duties of Officers. The Chairman shall preside at all meetings of the Board of Trustees and shall appoint such committees as the Chairman and Board may deem necessary or appropriate. The Vice-Chairman shall preside in the absence of the Chairman and exercise all other duties of the Chairman when the Chairman is not present. In the absence of the Chairman and Vice-Chairman, the Board shall designate one of its members to preside at that meeting. The Secretary shall keep and maintain accurate minutes of all meetings of the Board of Trustees

which shall be permanently bound. The Secretary shall further maintain a Seal of the Fund. The Treasurer shall maintain accurate financial records of all receipts, disbursements, claims and other like information. The duties of the Treasurer may be delegated to an administrator, agent or other representative selected to provide such services to the Fund.

Section 3. Execution of Contracts, Deeds and Other Documents. All contracts, deeds and other legal documents on behalf of the Fund shall be executed by the Chairman or Vice-Chairman and countersigned by the Secretary who shall affix the Seal of the Fund to the document. The Board of Trustees shall have the power to enter into all contracts and agreements necessary or convenient to carry out the purposes of the Fund.

Section 4. Administrators. The Board of Trustees may select and contract with an administrator, claims administrator and any other consultant, accountant or attorney deemed necessary by the Board of Trustees to carry out the purposes of the Fund and may delegate to such persons or entities whatever authority is deemed appropriate by the Fund consistent with these by-laws, state law and applicable regulations. The Board of Trustees shall require that any administrator or other professional employed furnish any and all bonds and insurance which may be required by the regulations of the Insurance Commissioner or deemed appropriate by the Board of Trustees.

ARTICLE VI

Fiscal Year

The Fiscal Year of the Fund shall run from July 1 through June 30 of each year unless changed by a vote of the Board of Trustees at a duly called meeting.

ARTICLE VII

Finances and Distributions

Section 1. Accounts. The Fund shall establish and maintain such accounts as the Board of Trustees, from time to time, shall determine to be proper. All monies of the Fund shall be deposited in accounts established by the Board of Trustees. At all times, the Fund shall establish and maintain any and all reserve accounts or surpluses required by state law or applicable regulations.

Section 2. Premium Contributions. All premium contributions to be assessed against the members shall be in accordance with regulations of the Insurance Commissioner and premium contributions approved by the Insurance Commissioner. All premium contributions received on behalf of the Fund shall be immediately deposited and designated to various Funds in proper proportion to guarantee that the contribution to the Loss Fund required from each such premium contribution is met. The Trustees or the duly authorized representative of the Trustees shall transfer from the Claims Fund Account to the Revolving Claims Account only such funds as are necessary to pay current claims and claims costs.

Section 3. Dividends. The portion of premium contributions not needed for payment of claims, administrative expenses and/or appropriate reserves may be returned to the members of the Fund from time to time, in such amounts and proportions as the Board of Trustees, in its discretion, may determine is proper, subject to any and all regulations or requirements of the Insurance Commissioner. No surplus accumulations may be returned if such payment will impair the capital stability and/or security of the Fund. Any member who withdraws or who is not in good standing at the time of such distribution may be barred from receiving any portion of

the distribution or may be subject to such restrictions as the Board of Trustees, in its discretion, may impose.

Section 4. Audit. An annual audit will be made and the expense will be paid out of the Fund. Copies of each year's audit shall be mailed or made available to each member.

Section 5. Fund Years Kept Separate. Each Fund Year shall be maintained separately for accounting purposes for the benefit of the Fund members active during that year.

Section 6. Compliance with Statutes and Regulations. The financial activities and operations of the fund shall be established and administered in full compliance with Georgia law and the rules and regulations of the Insurance Commissioner.

Section 7. Annual Payment of Contributions. Contributions shall be assessed and collected from the members of the Fund pursuant to a plan to be adopted and approved by the Board of Trustees. Such plan may be modified by the Board of Trustees prior to the beginning of any fiscal year as long as such plan is always in compliance with state law and rules and regulations of the Insurance Commissioner. Such plan shall also include how contributions and assessments will be made for members joining the Fund subsequent to the beginning of any fiscal year. The Board of Trustees, in its discretion, may impose more stringent contribution payment requirements for small accounts or in other circumstances where the Board, in its discretion, determines that such requirements are necessary for the safe and proper operation of the Fund.

ARTICLE VIII

Termination of Members

Section 1. Involuntary Termination. A member may be involuntarily terminated from the Fund for failure (a) to provide an adequate safety program; (b) to timely file monthly payroll reports; (c) to timely report injuries suffered by its employees; (d) to timely pay its contributions;

(e) to discharge its obligations to the Fund as set forth in these by-laws, state law or applicable regulations of the Insurance Commissioner.

Section 2. Procedure. The Board of Trustees is authorized to terminate a member in accordance with the previous section but shall provide written notice stating the time when the termination will be effective, not less than fifteen (15) days from the date of the notice, and shall have such notice delivered in person or by depositing such notice in the U.S. Mail to the last known address of the member by certified mail/return receipt requested.

ARTICLE IX

Removal of Trustees

Section 1. Notice. A Trustee may be removed by a majority vote of the Board of Trustees at a regular or special meeting with at least five days written notice by U.S. Mail, certified/return receipt requested to the Trustee proposed to be removed. The notice will state the reasons for the removal and a time and place of the meeting at which the removal is to be considered.

Section 2. Grounds. A Trustee may be removed for (a) failure to attend two consecutive meetings of the Board of Trustees without just cause; and (b) whenever the Trustee is no longer serving the best interest of the Fund or is, in any manner, interfering with the orderly or fiscally prudent operation of the Fund.

ARTICLE X

Amendments to By-Laws

Amendments to these by-laws may be made by a vote of a majority of the members present at any annual or duly called special meeting.

