BY-LAWS

OF

THE WASHINGTON RURAL COUNTY INSURANCE POOL

ARTICLE 1
Offices

The principal office of the corporation shall be located within the State of Washington at the offices of the Third Party Administrator. The corporation may have such other offices, either within or without the State of Washington, as the Board of Directors may determine or as the affairs of the corporation may require from time to time.

The corporation shall have and continuously maintain in the State of Washington a registered office, and a registered agent whose office is identical with such registered office, as required by the Washington Non-Profit Corporation Act, Chapter 24.03 Revised Code of Washington. The registered office may be, but need not be, identical with the principal office of the corporation, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE 2
Members

Section 2.1. *Classes of Members and Qualifications for Membership.* The corporation shall have two classes of Members, Regular and Associate. Eligibility for Regular Membership in the corporation shall be limited to counties organized and existing pursuant to Title 36 Revised Code of Washington. Counties wishing to become Members of the corporation shall submit an application to the corporation on a form prescribed by the corporation. Counties elected to membership pursuant to Section 3 below shall be required to become a signatory to the Interlocal agreement creating the Washington Rural County Insurance Pool (the "Agreement") before such membership shall become effective.

Eligibility for Associate membership shall be limited to districts and municipal corporations as defined by 48.62.021(1) which meet the underwriting and classification criteria established by the Board of Directors. Each Associate Member must become a signature of the Associate Membership Agreement by a Resolution adopted by the entity's Board or Commission.

Section 2.2. *Member Representative.* Each Member shall appoint one representative who shall be authorized to exercise the Member's voting rights in the corporation, if any, and to act on behalf of the Member with respect to all matters pertaining to the corporation.Only county commissioners, officers and employees of a Member shall be eligible to be appointed as a representative of a Regular Member. The name of the person appointed as a Member's representative shall be submitted in writing to the corporation. A change in a Member's appointed representative shall not become effective until the corporation has received written notice of such change. Each Member may also select an alternate Member representative to serve and act in the absence of the Member's representative.

Section 2.3. *Selection of Additional Members.* Additional Regular Members shall be approved by the Board of Directors. An affirmative majority vote of the Board of Directors members present shall be required for selection. Associate Members shall be approved by the Director or Third Party Administrator subject to the criteria established by the Board of Directors.

Section 2.4. *Voting Rights and Procedures.* Each Regular Member shall be entitled to one vote on each matter submitted to a vote of the Regular Members unless a record date for voting purposes is fixed by the Board of Directors. Members that are Regular Members on the day of the meeting of the membership shall be entitled to vote at such meeting. Elections and other matters submitted to the vote of Associate or Regular Members may, at the discretion of the Chair of the corporation, be conducted by mail ballot. Each Associate Member shall be entitled to one vote on each matter submitted to a vote of the Associate Members. Associate Members on the day of the vote shall be entitled to vote.

Section 2.5. *Cancellation of Membership.* The membership of any Member of the corporation may be canceled pursuant to the provisions of Section 3.14 of the Agreement.

Section 2.6. *Resignation. A*ny Member may resign from the corporation pursuant to the procedures and limitations specified in Sections 3.13 and 3.15 of the Agreement.

Section 2.7. *Transfer of Membership.* Membership in this corporation is not transferable or assignable.

ARTICLE 3
Meetings of Members

Section 3.1. *Annual Meeting.* At the discretion of the Board of Directors an annual meeting of the Members shall be held in the month of September in each year, if needed, with a datedesignated in writing by the Chair of the Board of Directors thirty days before the meeting, at such time and place designated in writing by the Chair, for the purpose of transacting such business as may come before the meeting. .

Section 3.2. *Special Meetings.* Special meetings of the Members may be called by the Board of Directors or not less than one-fourth of the Members having voting rights.

Section 3.3. *Place of Meeting.* The Board of Directors may designate any place, either within or without the State of Washington, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be the office of the Third Party Administrator in the State of Washington. If all of the Members shall meet at any time and place, either within or without the State of Washington, and consent to the holding of a meeting, such meeting shall be valid without call or notice and any corporate action may be taken at such meeting. Members of the corporation may participate in a meeting of Members by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Section 3.4. *Notice of Meetings.* Written notice stating the place, day and hour of any meeting of Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten nor more than fifty days before the date of such meeting, by or at the direction of the Chair of the Board of Directors, or the Third Party Administrator or persons calling the meeting. In case of a special meeting or when required by statute or by these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at the address of its representative as it appears on the records of the corporation, with postage thereon prepaid.

Section 3.5. *Actions by Members Without a Meeting.* Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

Section 3.6. *Quorum.* The Members holding A majority of the votes which may be cast at any meeting shall constitute a quorum at such meeting. If a quorum is not present at any meeting of Members, a majority of the Members present may adjourn the meeting from time to time without further notice.

Section 3.7. *Manner of Acting.* A majority of the votes entitled to be cast on a matter to be voted upon by the Members present at a meeting at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by law or by these By-Laws.

Section 3.8. *Rule of Procedure for Meetings.* All meetings of the membership shall be conducted in accordance with Roberts' Rules of Order, except where such rules are in conflict with applicable law, the Agreement, or these By-Laws.

ARTICLE 4
Board of Directors

Section 4.1. *General Powers.* The affairs of the corporation shall be managed by its Board of Directors.

Section 4.2. *Tenure and Qualifications.* The Board of Directors shall be comprised of one member representative from each county, terms as provided in the Agreement and one Associate Member Representative elected by all Associate Members to serve a three-year term as a non-voting Board member.

Section 4.3. *Voluntary Resignation.* A Board of Directors member or alternate who is absent from three consecutive, regularly scheduled Board of Directors meetings or one-half of the Board of Directors meetings during the year without acceptable excuse shall be deemed to have voluntarily resigned from the Board of Directors. At any meeting of the Board of Directors at which there are absences, the Board of Directors shall determine if they are excused.

Section 4.4. *Regular Meetings.* A regular annual meeting of the Board of Directors shall be held without other notice than this by-law, in conjunction with, and at the same place as, the annual meeting of Members. The Board of Directors may provide by resolution the time and place, either within or without the State of Washington, for the holding of additional regular meetings of the Board of Directors, or of regular meetings of any committee of the Board of Directors, without notice other than such resolution.

Section 4.5. *Special Meetings.* Special meetings of the Board of Directors may be called by or at the request of the Chair or any three Board of Directors members. Special meetings of any committee of the Board of Directors may be called by or at the request of the Chair of the Board of Directors or any two members of the Board. The person or persons authorized to call special meetings of the Board of Directors or of any committee of the Board of Directors may fix any place, either within or without the State of Washington, as the place for holding any special meeting of the Board of Directors or committee called by them.

Section 4.6. *Notice.* Notice of any special meeting of the Board of Directors or any committee of the Board of Directors shall be given at least two days prior to the meeting by written notice delivered personally or sent by mail, facsimile transmission or telegram to each Board member at the member's address as shown by the records of the corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. If notice be given by facsimile transmission, such notice shall be deemed to be delivered 24 hours after the transmission so long as no error was received during the transmission. Any Board member may waive notice of any meeting. The attendance of a Board member at any meeting shall constitute a waiver of notice of such meeting, except where a Board member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors or any committee of the Board of Directors need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these By-Laws. Members of the Board of Directors or any committee of the Board of Directors may participate in a meeting of such Board by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Section 4.7. *Quorum.* A majority of the Board of Directors shall constitute a quorum for the transacting of any business of the Board of Directors. However, if less than a majority of the Board of Directors members are present at said meeting, a majority of the Board of Directors members present may adjourn the meeting from time to time without further notice.

Section 4.8. *Manner of Acting.* The act of a majority of the Board of Directors members, or a majority of the members of any committee of the Board of Directors, present at a meeting at which a quorum is present shall be the act of the Board of Directors or its committee, unless the act of a greater number is required by law or by these By-Laws.

Section 4.9. *Rule of Procedures for Meetings.* All meetings of the Board of Directors or a committee of the Board of Directors shall be conducted in accordance with Roberts' Rules of Order, except where such rules are in conflict with applicable law, and Agreement, or these By-Laws.

Section 4.10. *Compensation.* Board of Directors members or its committee members as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board of Directors or any of its committees.

Section 4.11. *Action by Board of Directors Members Without a Meeting.* Any action required by law to be taken at a meeting of the Board of Directors or any of its committees, or any action which may be taken at a meeting of the Board of Directors or any of its committees, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Board of Directors members or committee members.

ARTICLE 5
Officers

Section 5.1. *Officers.* The officers of the corporation shall be a Chair, a Vice Chair, a Fiscal Officer and such other officers as may be elected in accordance with the provisions of this article. The Board of Directors may elect or appoint such other officers, as it shall deem desirable, such officers to have the authority to perform the duties prescribed, from time to time, by the Board of Directors. Offices of the Chair and Vice Chair shall ascend. No two or more offices may be held by the same person.

Section 5.2. *Election and Term of Office.* The officers of the corporation shall be elected every year by the Board of Directors from among its members prior to the beginning of the calandar year. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor shall have been duly elected and qualified.

Section 5.3. *Removal.* Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby.

Section 5.4. *Vacancies.* *A* vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5.5. *Chair.* The Chair of the Board of Directors shall be the principal executive officer of the corporation and shall in general supervise and control all of the business and affairs of the corporation. He or she shall preside at all meetings of the Members and the Board of Directors. He or she may sign, with any other proper officer of the corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases when the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws or by statute to some other officer or agent of the corporation; and in general he or she shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.6. *Vice Chair.* In the absence of the Chair or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as from time to time may be assigned to him or her by the Chair or by the Board of Directors.

Section 5.7. *Fiscal Officer.* The Fiscal Officer shall be responsible to act with the Third Party Administrator as directed by the Chair of the Board to carry out Board of Directors fiscal policies and procedures. The office of the Fiscal Officer will not ascend.

Section 5.8. *Third Party Administrator.* The Third Party Administrator shall have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article 7 of these By-Laws; and in general perform such other duties as from time to time may be assigned to him by the Chair or by the Board of Directors. The Third Party Administrator shall keep the minutes of the meetings of the Members, the Board of Directors, and any committees of the Board of Directors, in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; keep a register of the post office address of each Member and each representative of each Member which shall be furnished to the Third Party Administrator by each Member. The Third Party Administrator shall be bonded in an amount determined by the Board of Directors.

ARTICLE 6
Committees

Section 6.1. *Committees of the Board of Directors.* The Board of Directors may designate and appoint one or more committees, each of which shall consist of two or more Board of Directors members, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the corporation, except that no such committee shall have the authority of the Board of Directors in reference to amending, altering or repealing the By-Laws; electing, appointing or removing any member of any such committee; amending the articles of incorporation; restating articles of incorporation; adopting a plan of merger or adopting a plan of consolidation with another corporation; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the corporation; authorizing the voluntary dissolution of the corporation or revoking proceedings therefor; adopting a plan for the distribution of the assets of the corporation; or amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee or doing any act in conflict with the duties of the Board of Directors as set forth in the Agreement. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Board of Directors member, of any responsibility imposed upon it or him or her by law.

Section 6.2. *Other Committees.* Other Committees not having and exercising the authority of the Board of Directors in the management of the corporation may be appointed in such manner as may be designated by a resolution adopted by a majority of the Board of Directors members present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be representatives of Members of the corporation, and the Chair of the corporation shall appoint the members thereof. Any member thereof may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interests of the corporation shall be served by such removal.

Section 6.3. *Term of Office.* Each member of a committee shall continue as such until the next annual meeting of the Members of the corporation and until a successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

Section 6.4. *Chairman.* One member of each committee shall be appointed chairman by the person or persons authorized to appoint the members thereof.

Section 6.5. *Vacancies.* Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

ARTICLE 7
Administrator

Section 7.1. *Appointment and Removal.* The Board of Directors shall appoint and employ a Third Party Administrator of the corporation (the "Administrator"), who shall be appointed and removable by the Board of Directors pursuant to whatever employment arrangement the Board of Directors shall have agreed to with the Administrator in writing.

Section 7.2. *Powers and Duties.* The Administrator shall be the chief administrator of the corporation and shall have control of the administrative functions of the corporation. He or she shall carry out the orders of the Board of Directors and shall be responsible to the Board of Directors for the efficient administration of the affairs of the corporation. The Administrator shall keep the Board of Directors fully advised of the financial condition and needs of the corporation.

Section 7.3. *Compensation.* The Administrator shall receive such compensation as the Board of Directors shall fix by contract or resolution.

ARTICLE 8
Indemnification

The Board of Directors Members of the corporation; its directors, officers, employees and the Administrator, its agents, directors, officers and employees shall:

1. Use reasonable and ordinary care in the exercise of their duties as relates to the corporation;

2. Be afforded all of the privileges and immunities that attach generally to governmental officers;

3. Not be liable for, and be held harmless and defended by the corporation, for any act of negligence, any mistake of judgment or any other action, made, taken or omitted in good faith and on behalf of the corporation;

4. Not be liable for any loss incurred through investment of funds or failure to invest such funds so long as they are invested according to the direction of the Board of Directors.

The corporation may purchase, subject to availability and cost, insurance providing coverage for Board of Directors members and the Administrator.

The corporation shall indemnify every person who was or is a party or is or was threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a member of the Board of Directors, any other committee of the corporation, employee, or agent of the corporation, or the Administrator, its agents, directors, officers or employees in the furtherance of corporation business, or is or was serving at the request of the corporation as a member, director, officer, employee, agent, or trustee of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against expenses (including counsel fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, to the full extent permitted by applicable law. Such indemnification may, in the discretion of the Board of Directors, include advances of his or her expenses in advance of final disposition of such action, suit or proceeding, subject to the provisions of any applicable statute. This indemnification provided in this Article shall not extend to suits, claims, actions, administrative procedures or investigations brought by or at the request of the corporation. No indemnification shall extend to any person named above in any litigation, administrative proceeding or process of any type where the corporation and the individual are opposing each other.

ARTICLE 9
Coverage Determinations and Appeal Rights

Section 9.1. *Coverage Determinations.* All coverages are limited to those coverages provided through the corporation as identified in Section 3.4.3 of the Agreement. The Administrator, acting on behalf of the corporation, shall make all initial coverage determinations as respects the corporation's self retention or deductible under the jointly purchased policy or policies of insurance. Such determinations shall be made according to the procedures set forth in this Article and subject to the right of appeal set forth in Section 9.2. Such determination shall be made after appropriate consultation with the corporation's insurance carrier.

(a) Upon receiving notice of a claim or a Summons and Complaint against a Member and/or persons requesting coverage (the "Covered Party"), the Administrator shall, within forty-five (45) days or such other reasonable time as agreed after receipt of said notice, make an initial coverage determination.

(b) Upon making a coverage determination, the Administrator shall notify the Covered Party of the determination in writing. If the claim or complaint may exceed the corporation's self retention or deductible, the Administrator shall inform the Member or Covered Party of that determination.

(c) The written coverage determination shall address the following issues:

(1) Whether the corporation will provide the Covered Party legal counsel for defense of the Summons and Complaint.

(2) Whether the corporation is reserving any rights to make subsequent coverage determinations.

(3) Whether the corporation is denying coverage for the claims made in the claim or Summons and Complaint under review. In the event that coverage is denied, the Administrator shall inform the Covered Party in writing of the appeal process contained in Section 2 of this Article.

(d) In the event that the Administrator determines that the Association should (1) reserve its rights to make subsequent coverage determination, or (2) determinethat coverage should be denied, then the written notice shall also state the reasons for any such reservation or denial.

(e) In the event that a final coverage determination cannot be made by the Administrator until after the facts of the claim or Complaint are determined in a legal proceeding, the Administrator shall make a final coverage determination within sixty (60) days or such reasonable time as agreed after the final disposition of the legal proceeding is provided to the Administrator. The determination shall be provided in writing to the Covered Party and shall contain the information required by Sections 9.1(c) and 9.1(d).

(f) All written determinations by the Administrator shall be deemed final and binding upon all parties unless the Covered Party files a timely notice of appeal with the Board of Directors in the manner specified in Section 9.2. The determination of the Administrator is only binding upon the corporation and relates only to the self retention or deductible in place at that time under the policy of insurance which insures the Association. The determination of the Administrator is not binding upon the carrier who insures the Association. Covered Parties are required to resolve coverage disputes with the insurance carrier pursuant to the terms of the policy issued by that carrier.

If a claim or Complaint is of such an amount or magnitude that in the opinion of the Administrator that claim or Complaint may exceed the amount of the self retention or deductible in terms of exposure and/or costs of defense, then the Administrator shall not be entitled to make a determination of coverage. In those instances, all determinations of coverage shall be made in accordance with the terms of the insurance policy issued by the Association's carrier. The Covered Party shall deal with that carrier through the Administrator's office unless otherwise instructed by the Administrator. The provisions of this Article shall not apply in those instances where the claim or Complaint is of such an amount or magnitude that in the opinion of the Administrator that claim or Complaint may

exceed the amount of the self retention or deductible in terms of exposure and/or costs of defense. In those instances if a Covered Party or Member has requested a coverage determination, the Administrator shall notify the Covered Party or Member in writing that the Administrator has determined he or she may not issue a determination of coverage and refer the requesting party to the terms of the policy of insurance for resolution of coverage issues.

(g) The Administrator shall not be obligated to make any coverage determinations until a claim or a Summons and Complaint has been served upon the Covered Party and until the Administrator has received notice thereof. However, the Administrator shall issue tentative written coverage determinations before a Summons and Complaint has been filed upon the written request of the Covered Party. If the Administrator makes a tentative coverage determination, he or she shall remain obligated to provide a subsequent final written coverage determination after a Summons and Complaint has been served and the Administrator has received notice thereof, as provided in Sections 9.1(a), (b), (c), (d), (e) and (f).

Section 9.2. *Appeal.* Any written determination made by the Administrator pursuant to Section 9.1(c) and (d) denying coverage to a Covered Party shall be final, as provided in Section 9.1(f), unless the procedures for appeal, provided hereafter, are followed by the Covered Party. The following appeal procedures shall apply in those cases where the Administrator has not determined the claim or Complaint is of such an amount or magnitude that in the opinion of the Administrator that claim or Complaint may exceed the amount of the self retention or deductible in terms of exposure and/or costs of defense. There is no appeal from a determination of the Administrator that the claim or Complaint is of such an amount or magnitude that the claim or Complaint may exceed the amount of the self retention or deductible in terms of exposure and/or costs of defense.

(a) Any Covered Party aggrieved by the Administrator's written coverage determination may appeal the decision to the Board of Directors. The appeal must be initiated by the Covered Party within thirty (30) days following receipt of the Administrator's written determination. If an appeal is not initiated within thirty (30) days, as provided herein, the Covered Party shall be deemed to have waived any further right to appeal the decision of the Administrator.

(b) An appeal is deemed initiated for purposes of this Article when the Covered Party, or his, her, or its legal representative, serves a written Notice of Appeal upon the Administrator or upon the Chair of the corporation. The written Notice of Appeal shall include the following information:

(1) The name of the Covered Party initiating the appeal.

(2) A brief statement identifying the subject of and basis for the appeal. A copy of the Administrator's written determination should be attached to the Notice of Appeal.

(3) The signature of the Covered Party initiating the appeal or the signature of the Covered Party's legal representative.

(c) Within thirty (30) days, or such time as is agreed, after an appeal has been initiated, a meeting of the Board of Directors shall be convened by the Chairman of the Board of Directors to hear the appeal. Notice of the date set for hearing of the appeal by the Board of Directors shall be sent to the Covered Party not later than fifteen (15) days prior to the date set for the hearing. The Chair of the Board of Directors shall have the authority to set hearing dates for the appeal and to grant continuances where good cause is shown.

(d) The hearing by the Board of Directors may occur when a quorum of the Board, pursuant to Section 4.6, is present. Voting by the Board of Directors and the procedures for the meeting of the Board of Directors on the appeal hearing shall be as provided in Sections 4.6 and 4.7. However, members of the Board of Directors shall abstain from participating or voting in any appeals involving a Member with which they are affiliated.

(e) The hearing of the Board of Directors on the appeal shall proceed as follows:

(1) The Chair of the Board of Directors shall administer the hearing and make all necessary procedural rulings during the hearing.

(2) The Covered Party or his, her, or its legal representative, if any, shall begin the proceeding with an explanation of the basis for the appeal. The Covered Party shall present to the Board of Directors all evidence, testimony, argument and legal authority relevant to and in support of the appeal. Thereafter, the Administrator and/or corporation's legal representative may present all evidence, testimony, argument and legal authority relevant and in opposition to the Covered Party's position. Each side shall be provided an opportunity to present rebuttal evidence and argument.

(3) Following the presentation of evidence, testimony, argument and legal authority, the Board of Directors may retire into executive session to discuss consideration of the appeal. Thereafter, the Board of Directors shall reconvene in public session to consider and vote on any motion made to decide the appeal. The Board of Directors may vote to uphold the decision of the Administrator or to modify or reverse the decision of

the Administrator. The decision of the Board of Directors shall be reduced to writing and signed by the Chairman of the Board of Directors and a copy thereof sent to the Covered Party within seven (7) days following the final decision of the Board of Directors.

(4) The Chair may adjourn and reconvene any hearing on an appeal as may be necessary to preserve a fair hearing.

(f) A final decision of the Board of Directors denying the Covered Party the full relief sought shall not preclude the appealing party from seeking judicial review of the Administrator's and/or the Board of Directors's coverage determination. However, no Covered Party may maintain any lawsuit or complaint against the corporation alleging any improper or incorrect coverage denial unless the Covered Party has first exhausted the appeal procedures provided herein. Exhaustion of these appeal procedures shall be a condition precedent to any subsequent legal action or suit by a Covered Party.

ARTICLE 10
Conflict of Interest and Appearance of Fairness Procedure

All Members of the corporation, the Board of Directors, and its committees, shall exercise every effort to avoid conflicts of interest, or the appearance thereof, in their actions relating to the corporation. Any person who has a personal interest in any matter before the Board of Directors or one of its committees which would tend to prejudice his or her action shall so indicate publicly and may abstain from the deliberations and voting on such matter.

ARTICLE 11
Contracts, Checks, Deposits and Funds

Section 11.1. *Contracts.* The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these by-laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 11.2. *Checks, Drafts, etc.* All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Administrator and countersigned by the Board of Directors Chair, Board of Directors Vice Chair or Fiscal Officer of the corporation.

Section 11.3. *Deposits.* All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select and as are allowed by the laws of the State of Washington.

ARTICLE 13
Books and Records

The Third-Party-Administrator at the direction of the Board of Directors shall keep complete books and records of account and shall also keep minutes of the proceedings of its Members and Board of Directors and shall keep at its registered or principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the corporation may be inspected by any Member, or its attorney, for any proper purpose at any reasonable time.

ARTICLE 14
Fiscal Year

The fiscal year of the corporation shall be from December 1 through November 30 of the next calendar year, or as set by resolution of the Board of Directors.

ARTICLE 15
Seal

The seal of this corporation shall consist of the name of the corporation, the state of its incorporation, and the year of its incorporation.

ARTICLE 16
Waiver of Notice

Whenever any notice is required to be given under the provisions of the Washington Non-Profit Corporation Act or under the provisions of the articles of incorporation or the By-Laws of the corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 17
Amendments to By-Laws

These By-Laws may be altered, amended or repealed and new By-laws may be adopted by a majority of the Board of Directors members present at any regular meeting or at any special meeting, if at least two days' written notice is given of intention to alter, amend, or repeal or to adopt new By-Laws at such meeting.

TABLE OF CONTENTS

FOR

BY-LAWS OF

THE WASHINGTON RURAL COUNTY INSURANCE POOL

ARTICLE 1 *Offices* 1

ARTICLE 2 *Members* 1
- Section 2.1 Classes of Members and Qualifications for Membership 1
- Section 2.2 Member Representative 2
- Section 2.3 Selection of Additional Members 2
- Section 2.4 Voting Rights and Procedures 2
- Section 2.5 Cancellation of Membership 2
- Section 2.6 Resignation 2
- Section 2.7 Transfer of Membership 2

ARTICLE 3 *Meetings of Members* 3
- Section 3.1 Annual Meeting 3
- Section 3.2 Special Meetings 3
- Section 3.3 Place of Meeting 3
- Section 3.4 Notice of Meetings 3
- Section 3.5 Action by Members Without a Meeting 3
- Section 3.6 Quorum 4
- Section 3.7 Manner of Acting 4
- Section 3.8 Rule of Procedure for Meetings 4

ARTICLE 4 *Board of Directors* 4
- Section 4.1 General Powers 4
- Section 4.2 Tenure and Qualifications 4
- Section 4.3 Voluntary Resignation 4
- Section 4.4 Regular Meetings 4
- Section 4.5 Special Meetings 5
- Section 4.6 Notice 5
- Section 4.7 Quorum 5
- Section 4.8 Manner of Acting 5
- Section 4.9 Rule of Procedures for Meetings 6
- Section 4.10 Compensation 6
- Section 4.11 Action by Board of Directors Members Without a Meeting 6

ARTICLE 5 *Officers* 6
Section 5.1 Officers 6
Section 5.2 Election and Term of Office 6
Section 5.3 Removal 6
Section 5.4 Vacancies 6
Section 5.5 Chair 7
Section 5.6 Vice Chair 7
Section 5.7 Fiscal Officer 7
Section 5.8 Third Party Administrator 7

ARTICLE 6 *Committees* 8
Section 6.1 Committees of the Board of Directors 8
Section 6.2 Other Committees 8
Section 6.3 Term of Office 8
Section 6.4 Chairman 8
Section 6.5 Vacancies 8

ARTICLE 7 *Administrator* 9
Section 7.1 Appointment and Removal 9
Section 7.2 Powers and Duties 9
Section 7.3 Compensation 9

ARTICLE 8 *Indemnification* 9

ARTICLE 9 *Coverage Determinations and Appeal Rights* 10
Section 9.1 Coverage Determinations 10
Section 9.2 Appeal 12

ARTICLE 10 *Conflict of Interest and Appearance of Fairness Procedure* 14

ARTICLE 11 *Contracts, Checks, Deposits and Funds* 14
Section 11.1 Contracts 14
Section 11.2 Checks, Drafts, etc 15
Section 11.3 Deposits 15
Section 11.4 Gifts 15

ARTICLE 13 *Books and Records* 15

ARTICLE 14 *Fiscal Year* 15

ARTICLE 15 *Seal* 15

ARTICLE 16 *Waiver of Notice* 16

ARTICLE 17 *Amendments to By-Laws* 16

BY-LAWS

OF

THE WASHINGTON RURAL COUNTIES INSURANCE POOL

6/22/98