

ARTICLES OF AGREEMENT
OF THE
RHODE ISLAND
JOINT REINSURANCE ASSOCIATION

The purpose of these Articles of Agreement is to form the Rhode Island Joint Reinsurance Association and to operate the Basic Property Insurance Inspection and Placement Program (hereinafter “the Program”) in compliance with the provisions of Rhode Island Insurance Regulation 15 (hereinafter "Regulation 15").

ARTICLE 1

Name

This organization shall be known as the Rhode Island Joint Reinsurance Association, a/k/a Rhode Island FAIR (Fair Access to Insurance Requirements) Plan, (hereinafter referred to as the Association), and is an unincorporated association of insurers.

ARTICLE 2

Objects

1. The objects of the Association shall be (1) the administration of the Program in conformity with Regulation 15; (2) to equitably apportion and distribute the writings, expenses, profits if any, and losses of the Association among insurers licensed to write Basic Property Insurance, as defined in Regulation 15, in the State of Rhode Island;

(3) to encourage the improvement of properties located in urban areas and to further orderly community development; and (4) to make public the purposes and procedures of the Program and the Association.

2. Beginning October 1, 1973, the Association shall (a) write and issue policies or certificates of insurance on behalf of its members for risks found insurable by the Association and (b) provide for the adjustment of claims, payment of losses and such other functions as are usual in servicing the insured. Each member of the Association shall be a direct insurer under each policy or certificate of insurance issued by the Association during any calendar year to the extent of its participation for that year as determined in accordance with Article 3 of these Articles. Liability of each member shall be several, each for itself, and not joint, and no member shall be liable under any such policy or certificate for the liability of any other member thereunder, except as provided in Article 7 and Article 12 of these Articles in case of insolvency of a member or termination of the Program.
3. The Governing Committee shall designate in writing from time to time one or more persons to act as attorney-in-fact for all companies to execute policies on behalf of the member companies. No policy or certificate of insurance shall be affected or invalidated by any change of the attorney-in-fact who, at the time such policy or certificate of insurance was issued, shall have duly acted pursuant to the powers in him then vested. Any policy or certificate of insurance issued pursuant to this Article may be executed on behalf of the participating members by an attorney-in-fact appointed hereunder.

ARTICLE 3

Membership

1. Membership.

Any licensed insurer, writing Basic Property Insurance, as defined in R.I. Gen. Laws §§ 27-33-1 et seq. (hereinafter “the Statute”) and Section 3 (2) of Regulation 15, shall be a member of the Association and shall be referred to herein as a Member.

2. Members Obligations.

(a) Each member shall be bound by the Statute, Regulation 15 and by all rules, regulations and orders of the Insurance Commissioner of the State of Rhode Island ("Commissioner"), and by the actions of the Governing Committee pursuant to the Statute and Regulation 15.

(b) Each member shall participate in the Association’s writings, expenses, profits, if any, and losses, as provided in the Statute and Regulation 15.

(c) The Association may assess members from time to time for funds necessary to defray the expenses of the Association, including losses on policies issued by the Association on behalf of member companies. Such assessments shall be based on each member’s participation ratio for the policy year to which the assessment relates. Members shall pay such assessment to the Association within thirty (30) days of receipt of the assessment notice. Late payments shall be subject to interest at a rate equal to the current prime rate of interest plus one percent.

(d) A Member which has withdrawn from the State of Rhode Island or whose license has been revoked or which has been placed in liquidation shall remain liable for all

obligations incurred prior to the date of such withdrawal, license revocation or liquidation. When a Member has been merged or consolidated into another insurer, such member, or its successor in interest, shall remain liable for all obligations hereunder and shall continue to participate in the Association based upon the premiums written by it and by the other insurers with which it has been merged or consolidated, in accordance with Regulation 15, unless the one Member which is merged into the other Member is declared insolvent prior to the merger, in which case the provisions of Article 7 herein shall apply.

(e) Each Member agrees that, on cancellations and non-renewals which it initiates on risks eligible to apply for insurance under Regulation 15, it will (1) furnish the policyholder thirty (30) days advance notice in order to allow time for an application for coverage to be made and a policy to be written under the provisions of Regulation 15, and (2) furnish the policyholder an explanation in writing, to accompany the notice of cancellation or non-renewal, of the procedures for applying for insurance and obtaining an inspection of his property under Regulation 15.

(f) The Members shall annually elect ten (10) of the Members to serve on the Governing Committee, with at least two (2) of such Governing Committee members being domestic insurers and not more than one (1) insurer in a group under the same management or ownership serving on the Governing Committee at the same time.

(g) All votes of the Membership shall be calculated by cumulative voting of the Members of the Association, whose votes shall be weighted in accordance with the proportion that each Member's premiums written in the state, during the most recent calendar year for

which data is available, bear to the aggregate premiums written by all insurers in the Program, as set forth in Regulation 15.

3. Termination of Membership. Membership of any Member shall terminate when such Member is no longer licensed by the Insurance Commissioner to write Basic Property Insurance in Rhode Island. Any Member whose membership in the Association has been terminated shall, nevertheless, continue to be governed by these Articles of Agreement in order to complete its obligation with regard to any assessments, losses, expenses, contracts or undertakings under the Program.

ARTICLE 4

Office

The principal office of the Association need not be situated in the State of Rhode Island.

ARTICLE 5

Administration

The Program shall be administered by a Governing Committee (hereinafter referred to as the Committee) of the Association in accordance with the Program.

ARTICLE 6

Indemnification

1. The Association shall indemnify (a) each member of the Governing Committee, including individuals representing insurer Members of the Association, each member of any other committee or any subcommittee, every officer and employee of the Association, and the

estate, executor, administrator, heirs, legatees and devisees of any such person, and (b) every insurer Member of the Association, both as a member and by reason of such insurer having one or more of its personal representatives or employees serving in any of the capacities or positions specified in clause (a) hereinabove, against all judgments including interest, fines, amounts paid or agreed upon in settlement, reasonable costs and expenses including attorneys fees, and any other liability that may be incurred as a result of any claim, action, suit, or proceeding, whether civil, criminal, administrative, or other, prosecuted or threatened to be prosecuted, for or on account of any act performed or omitted or obligation entered into, if done or omitted in good faith without intent to defraud and within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interest of and in connection with the administration, management, conduct or affairs of the Association or Committee, and with respect to any criminal actions or proceedings, in addition, had no reasonable cause to believe that his or its conduct was unlawful; provided, however, that if any such claim, action, suit, or proceeding is compromised or settled, it must be done so with the prior and express approval of the Governing Committee.

2. Such indemnification may include payment by the Association of expenses incurred in defending a civil or criminal action or other proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person or member indemnified to repay such payment if he shall be adjudicated to be not entitled to indemnification under this article. Such advance payments shall be made only if authorized by a majority of the Governing Committee, or by a majority of the remaining

Membership, if the members of the Governing Committee seek an advance under such circumstances.

3. Such indemnification shall not depend upon whether such insurer is a Member of the Association, or such person is a member of the Governing Committee, or any sub-committee or is an officer or employee of the Association, at the time such claim, action, suit or proceeding is begun, prosecuted or threatened, nor on whether the liability to be indemnified was incurred or the act or omission occurred prior to the adoption of this Article.
4. The right of indemnification hereunder shall not be exclusive of other rights such person or insurer may have as a matter of law or otherwise.
5. In each instance in which a question of indemnification hereunder arises, determination in the first instance of the right to indemnification hereunder, and of the time, manner, and amount of payment thereof, shall be made by the Governing Committee. In the event that a majority of the members of the Governing Committee are seeking indemnification hereunder as a result of the same occurrence, such determination in the first instance shall be made by vote of the remaining membership of the Association taken on a weighted basis as provided in Regulation 15. Nothing in this Article is intended to make an adverse determination finally binding upon the person or insurer seeking indemnity under this Article, or to preclude any such person or insurer from appealing an adverse determination against him or it, or from instituting legal proceedings to enforce a right of indemnification under this Article.

6. The indemnification provided for in this Article shall be deemed to be an expense of the Association to which all the members of the Association shall contribute in the proportion that each member participates according to law in the writings, expenses, profits and losses of the Association.

ARTICLE 7

Insolvency

- A. In the event any member fails, by reason of insolvency, to pay its proportion of any expense or of any loss incurred by the Association, such unpaid loss or expense shall be paid by the remaining members, each contributing in the manner provided for the distribution of expenses and losses under Regulation 15, deleting therefrom the proportion of the defaulting member. The Association shall be subrogated to the rights of the remaining members in any liquidation proceeding and shall have full authority on their behalf to exercise such rights in any action or proceeding.

- B. If the Association elects to make a distribution of funds to its Members, the Association may withhold funds otherwise owing to an insolvent Member subject to an order of receivership or liquidation, or to its liquidator, receiver or statutory successor equal to the amount owed, if any, to the Association by such Member.

ARTICLE 8

Amendments

These Articles of Agreement may be amended by the Committee with the approval of the Commissioner.

ARTICLE 9

Effective Date

These Articles of Agreement and any amendments are subject to approval by the Commissioner and shall become effective on the date established by the Commissioner.

ARTICLE 10

Citation to Commissioner

Failure of any Member to comply with these Articles of Agreement or with any rules prescribed thereunder by the Governing Committee or to pay any assessment levied within thirty (30) days of notice thereof, shall be grounds for citation of such Member to the Commissioner.

ARTICLE 11

Appeal to Commissioner

Any Member aggrieved by any ruling, order, decision, action or refusal to act on the part of the Association may appeal to the Governing Committee and thence to the Commissioner, and further to the courts, as provided in Section 13 of Regulation 15.

ARTICLE 12

Termination of the Association

The Program shall not be terminated without a vote of a two-thirds majority of the entire membership on a weighted basis and without the written approval of the Commissioner, and only after repeal of the Statute by the Rhode Island General Assembly. Any vote to terminate the Program shall specify an effective date on which the Association shall cease writing policies, but the Association shall continue in existence for as long as the Governing Committee shall determine in order to settle claims, carry out its obligations to policyholders and wind up its affairs. The termination of the existence of the Association shall not relieve the Members of their obligations to the Association or among themselves, but such obligations shall continue until the affairs of the Association are finally wound up and all funds are distributed and assessments paid.

When terminated, distribution of any refund or allocation of any assessment, to the Members entitled to participate herein, shall be made within such reasonable period of time as the Governing Committee shall determine; and all provisions of these Articles of Agreement shall remain in full force and effect until such final refund or assessment shall have been made.

Distribution of any refund or apportionment of any assessment in the event of termination of the Association shall be made to each Member in the same manner as is provided for the distribution of writings, expenses, profits and losses in the Program.

ARTICLE 13

Commissioner Notification

In order to assure that all insurers licensed to write Basic Property Insurance in Rhode Island become members of the Association, the Commissioner shall notify in writing the Association of all new licenses that it issues within a timely period.

ATTEST:

DATE SUBSCRIBED:
Articles of Agreement of the Joint Reinsurance Association

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