

Rules & Regulations of UNITED EDUCATORS INSURANCE, a RECIPROCAL RISK RETENTION GROUP

Article I - Name, Location, Purposes and Definitions

1. The name of the RECIPROCAL is United Educators Insurance, a Reciprocal Risk Retention Group.
2. The principal office of the RECIPROCAL is 76 St. Paul Street, Burlington, Vermont.
3. The purposes of the RECIPROCAL are to provide insurance, reinsurance and risk management services to educational institutions.
4. As used in these Rules & Regulations, the following terms shall have the following meanings:
 - (A) "Aggregate Written Premium" means, for any period, the aggregate amount of all Subscribers' Written Premiums for the period in question.
 - (B) "Attorney-in-Fact" or "Attorney" means the Attorney-in-Fact named in the Subscriber Agreement and Power of Attorney in effect from time to time and executed by Subscribers of the RECIPROCAL.
 - (C) "Fiscal Year" means the period ended December 31.
 - (D) "Individual Subscriber" means any teacher, administrator or other individual in the field of education who is issued an insurance policy by the RECIPROCAL.
 - (E) "Institutional Subscriber" means any Subscriber which is not an Individual Subscriber, Premier Subscriber or Special Program Subscriber and is issued an insurance policy by the RECIPROCAL.
 - (F) "Noncompliance" means any failure to comply with the terms of these Rules & Regulations or any Policy, but only to the extent that such noncompliance is deemed material by and within the sole discretion of the RECIPROCAL's Subscribers' Advisory Board.
 - (G) "Paid-In Surplus Account (PSA)" means the account established by the RECIPROCAL for a Subscriber, to which shall be allocated a Subscriber's Paid – In Surplus Contribution to UE less any distributions made from such account pursuant to Article XII or any Standards and Formulas adopted pursuant thereto.

- (H) "Paid-in Surplus Contribution" means the paid-in surplus amount, if any, contributed to the RECIPROCAL by the Subscriber.
- (I) "Policy" means any contract of insurance which defines the RECIPROCAL's insurance obligations to a Subscriber, and the Subscriber's obligations thereunder.
- (J) "Power of Attorney" means the Subscribers' Agreement and Power of Attorney executed by all Subscribers upon or after becoming Subscribers to the RECIPROCAL, and any Power of Attorney Agreement entered into between the Attorney-In-Fact and the RECIPROCAL, all as amended from time to time.
- (K) "Premier Subscriber" means any Subscriber, other than a Special Program Subscriber or an Individual Subscriber, which is issued an insurance policy by the RECIPROCAL and agrees not to participate in the annual allocation of the RECIPROCAL's income to its Subscriber's Savings Account (SSA)
- (L) "Premium" means any charge or other consideration imposed on or collected from a subscriber by or on behalf of the RECIPROCAL for the issuance of any Policy, except that it shall not include any amount paid for an extended discovery or reporting period following cancellation or termination of a Policy, and shall not include the Subscriber's Paid-in Surplus Contributions.
- (M) "Record Date" means the date set for the purpose of determining the Subscribers entitled to notice of and to vote at any meeting of Subscribers or any adjournment thereof.
- (N) "RECIPROCAL's Surplus" means the aggregate amount in all Subscribers' Surplus Accounts, plus any Unallocated Surplus.
- (O) "Special Program Subscriber" means any Subscriber which is issued an insurance policy by the RECIPROCAL under certain types of programs designated from time-to-time by the RECIPROCAL's Board.
- (P) "Standards and Formulas" means the Standards and Formulas for Allocations to Subscribers and Other Distributions which have been adopted, and amended from time to time, by the Subscribers' Advisory Board of the RECIPROCAL.
- (Q) "Subscriber" means any non-profit or for-profit United States (and its territories) college, university, independent school, education-related association, foundation, research institute, cultural organization (including libraries and museums), public school pool or districts or Individual Subscriber.

- (R) "Subscribers' Advisory Board" or "Board" shall be the subscribers' advisory committee elected by the Subscribers.
- (S) "Subscriber's Written Premium" means the gross Premium(s) paid or contracted by the Institutional Subscriber with respect to the Policy year in question.
- (T) "Subscriber's Savings Account (SSA)" means the account established by the RECIPROCAL for each Subscriber, to which amounts may be allocated from time to time, in accordance with the Standards and Formulas adopted by the Subscribers' Advisory Board pursuant to the authority granted in Article XII.
- (U) "Subscriber's Surplus" means, as of any date, the total amount in the Paid-In Surplus Account, if any, and the SSA maintained for Subscriber as provided in Article XII.
- (V) "Subscribership" means all the rights, privileges, duties and obligations of a Subscriber.
- (W) "Total Subscribers' Surplus" means all of the Surplus shown on the balance sheet of the RECIPROCAL allocated to Subscribers Surplus pursuant to, or in accordance with Standards and Formulas adopted by the Subscribers' Advisory Board under the authority granted in, Article XII.
- (X) "Unassigned Surplus" means amounts of the RECIPROCAL's surplus not allocated to any Subscriber's Paid-In Surplus Account or SSA.

Article II - Subscribers

1. Subscribership shall become effective upon commitment by the Subscriber for the payment of its first year's Premium. No Subscriber may resign from Subscribership except by canceling or otherwise terminating all insurance coverage obtained from the RECIPROCAL in accordance with the provisions of any Policy, and Subscribership shall automatically terminate at such time as insurance coverage of such Subscriber is cancelled or otherwise terminated for any reason, and shall not continue during any extended discovery or reporting period following cancellation or termination.
2. Each Subscriber shall pay all Premiums in accordance with the terms of the Subscriber's Policy within the time specified in any notice or invoice therefor, reimburse the RECIPROCAL for any amount paid by the RECIPROCAL with respect to any state tax (other than Vermont premium tax) on Premiums attributable to the Subscriber's Policy, and comply with these Rules & Regulations and the Subscriber's Policy.
3. (a) Each Subscriber shall be entitled to vote at all meetings of Subscribers. The number of votes to which a Subscriber shall be entitled shall be:
 - (i) Institutional and Individual Subscribers shall be entitled to:
 - a. One (1) vote for each \$1000 of Subscriber's Surplus as of the end of the fiscal year immediately preceding; plus
 - b. One (1) vote for each \$2000 of the Subscriber's Written Premium for the Subscriber's Policy year incepting in the RECIPROCAL's preceding fiscal year.
 - (ii) Special Program Subscribers and Premier Subscribers shall be entitled to one (1) vote.
- (b) Subscribers may vote either in person, through an authorized representative or by proxy dated not more than six months before the meeting named therein, which proxy shall be filed in writing or by electronic transmission, including by e-mail or internet, with the Attorney or other person responsible for recording the proceedings of the meeting before being voted. Unless otherwise specifically limited by its terms, such proxy shall entitle the holder or holders thereof to vote at any adjournment of the meeting but the proxy shall terminate after the final adjournment of such meeting.

4. A Subscriber shall cease to be a Subscriber upon cancellation or termination of all Policies held by the Subscriber notwithstanding election by the Subscriber to obtain extended discovery or reporting under the Policy subsequent to its cancellation or termination ("Withdrawal"). Upon Withdrawal from the RECIPROCAL, any return of the Subscriber's Paid-In Surplus Account and SSA shall be as provided in these Rules & Regulations, the Policy, or any Standards and Formulas adopted by the Subscribers' Advisory Board pursuant to authorization contained in these Rules & Regulations that are in effect as of the date that a Subscriber provides notice of its intent to withdraw. Withdrawal shall not discharge a Subscriber's obligation to pay any unpaid portion of its Premium previously contracted for, any reimbursement of deductibles paid on the Subscriber's behalf by the RECIPROCAL, any self-insured retention of the Subscriber, or any interest or penalty to which the RECIPROCAL is entitled under the Policy or these Rules & Regulations.
5. Upon Noncompliance by any Subscriber, the RECIPROCAL shall have the power and authority to do any one or combination of the following:
 - (a) Expel the Subscriber from Subscribership in the RECIPROCAL, thereby excluding such Subscriber from insurance coverage provided by the RECIPROCAL, after providing reasonable notice and the right to cure such Noncompliance within a reasonable period and subject to such other procedural requirements as are set forth in the Rules & Regulations or such Subscriber's Policy. Expulsion shall not discharge a Subscriber's obligation to pay any unpaid portion of any amounts owing with respect to the items described in Section 4 of this Article II.
 - (b) Offset against any amounts due from the RECIPROCAL to or payable on behalf of the Subscriber, based on claims made or any distributions which may be declared from time to time by the RECIPROCAL's Subscribers' Advisory Board, any amounts which the Subscriber owes to the RECIPROCAL.
 - (c) Accrue and charge interest at a reasonable rate on any amounts which the Subscriber owes to the RECIPROCAL.
 - (d) Impose any reasonable penalties, but only to the extent that any financial penalty imposed approximates the actual monetary loss suffered by the RECIPROCAL as a result of the Noncompliance.
6. Subscriberships are not transferable and may not be assigned, pledged or otherwise hypothecated.

Article III - Meetings of the Subscribers

1. Meetings of the Subscribers, including the annual meeting, shall be held at such place within or without the State of Vermont and at such time as stated in the call or notice of the meeting.
2. Meetings of the Subscribers may be called by the Chair of the Board, a majority of the Subscribers' Advisory Board members, or upon written application of Subscribers holding a majority of the total votes of all Subscribers. The Board may fix a Record Date for any meeting of Subscribers, which shall be not more than fifty (50) or less than ten (10) days prior to the date of the meeting. If no such Record Date is fixed, the Record Date for the meeting shall be the day prior to the day on which notice of the meeting is sent to Subscribers.
3. A notice of each meeting of Subscribers, stating the place, day and hour thereof and the purpose or purposes for which the meeting is called, shall be given by the Attorney not less than ten (10) nor more than fifty (50) days before the meeting to each Subscriber as of the Record Date by mail, postage prepaid and addressed to such Subscriber at its address as it appears in the records of the RECIPROCAL, or by electronic transmission, including by e-mail or internet, reasonably expected by the Attorney to reach each Subscriber receiving such notice. Notice of the time, place or purpose of the annual or any special meeting of the Subscribers may be waived in writing by any Subscriber before or after the meeting and shall be deemed waived by any Subscriber attending in person or by proxy, unless such attendance is for the sole purpose of objecting to the holding of the meeting.
4. Except as otherwise specifically required by law or by these Rules & Regulations, the presence, in person or by proxy, of Subscribers holding 10% of the total voting power of the RECIPROCAL shall constitute a quorum at any meeting of the Subscribers. Total voting power will be determined by the Total Subscribers' Surplus at the end of the immediately preceding fiscal year, plus the Aggregate Written Premium for the immediately preceding fiscal year. When a quorum is present at any meeting, a majority of the votes cast shall, except where a larger vote is required by law or these Rules & Regulations, decide any question brought before such meeting. A majority of votes present at any meeting, though less than a quorum, may adjourn the meeting from time to time and such a meeting may be held as adjourned without further notice.

Article IV - Subscribers' Advisory Board

1. The Subscribers' Advisory Board shall consist of not less than nine (9) or more than twenty-one (21) persons, the exact number to be fixed from time to time by the Subscribers. Board Members shall be elected at the annual meeting of the Subscribers. At each annual meeting, Subscribers shall elect one-third, or approximately one-third, of the Board Members to serve for a term of three years and until their successors are elected and qualify, except that a Board Member being elected to fill the unexpired term of a vacancy on the Subscribers' Advisory Board shall be elected to a term expiring at the same time as such unexpired term. At least two-thirds (2/3rds) of the Board Members shall, at the time of their election, be representatives of Subscribers of the RECIPROCAL. At least one Board Member shall be a resident of the State of Vermont.
2. Any Board Member may resign by delivering his written resignation to the Board at the principal office of the RECIPROCAL. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event, and acceptance thereof shall not be necessary to make it effective unless it so states.
3. A Board Member may be re-elected to any number of terms.
4. A Board Member may be suspended or removed, with cause, after reasonable notice and opportunity to be heard, by vote of the Subscribers or by a vote of a majority of the Board Members then in office.
5. Vacancies, which exist or occur on the Subscribers' Advisory Board, may be filled by a majority of the Board Members then in office, even if less than a quorum. If a Board Member is so selected to fill a vacancy caused by death, incapacity, retirement, resignation, or removal, the successor Board Member shall complete the term of his predecessor, until his successor is chosen and qualified or until he or she is disqualified or resigns.
6. The Subscribers' Advisory Board shall have general supervision and control over the activities of the Attorney and the property and affairs of the RECIPROCAL and may exercise all the powers of the RECIPROCAL, except those powers reserved to the Subscribers by law or these Rules & Regulations. The Board Members shall establish policies and procedures for the accomplishment of the purposes of the RECIPROCAL, and shall determine the compensation of the Attorney.

Article V - Meetings of the Subscribers' Advisory Board

1. Regular meetings of the Subscribers' Advisory Board may be held at such places and at such times as the Board Members may determine. Notice of regular meetings of the Subscribers' Advisory Board need not be given. At least one meeting of Board shall be held within the State of Vermont each year.
2. Special meetings of the Subscribers' Advisory Board may be held when called by the Chair of the Board or three or more Board Members. Notice of the time, date and place of all special meetings of the Subscribers' Advisory Board shall be given to each Board Member by the Attorney. Notice shall be given to each Board Member in person, electronically, by facsimile or by telephone call made to his or her business or home address at least twenty-four (24) hours in advance of the meeting, or by written notice mailed to his business or home address at least seventy-two (72) hours in advance of the meeting. Notice need not be given to any Board Member if a written waiver of notice executed by him or her before or after the meeting is filed with the records of the meeting. Further, no notice of a special meeting need be given to any Board Member who attends the meeting without protesting prior thereto or at its commencement the lack of notice. A notice or waiver of notice of a meeting of the Subscribers' Advisory Board need not specify the purposes of the meeting.
3. Except as otherwise specifically required by law or these Rules & Regulations, a majority of the entire Subscribers' Advisory Board shall constitute a quorum. When there is a quorum, a majority of those present shall determine all matters brought before the meeting. A majority of those present at any meeting, though less than a quorum, may adjourn the meeting from time to time and such meeting may be held as adjourned without further notice.
4. Any action required or permitted to be taken at any meeting of the Board Members may be taken without a meeting if all of the Board Members consent to the action in writing and the written consents are filed with the records of the meetings of the Board Members. Such consents shall be treated for all purposes as a vote at a meeting.
5. Board Members may participate in meetings by conference telephone or other communications equipment by means of which all persons participating can hear all other persons participating. Participation in such manner shall constitute presence in person at such meeting.
6. Board Members shall be entitled to receive for their services such amounts, if any, as the Board Members may from time to time determine, and the amounts may include expenses of attendance at meetings. Board Members shall not be precluded from serving the RECIPROCAL in any other capacity and from receiving compensation for any such services.

Article VI - Other Committees

1. The Subscribers' Advisory Board shall have an executive committee consisting of at least three (3) Board Members which committee shall have and may exercise all of the authority of the Subscribers' Advisory Board between meetings of the Board, except as otherwise provided by law.
2. The Subscribers' Advisory Board, or the Chair of the Board with the approval of the Subscribers' Advisory Board, may appoint one or more committees of Subscribers or Board Members. Such committees may be continuing or temporary.
3. Except as otherwise provided by law or in these Rules & Regulations, the Board Members may delegate to any such committee or committees any or all of their powers. Any committee to which the powers of the Board are delegated shall consist solely of Board Members. Any committee established to advise the Board Members may consist of non-Board Members.
4. The Subscribers' Advisory Board shall have the authority to fix the duties and responsibilities of all committees. All committees shall act under the supervision of the Subscribers' Advisory Board except as otherwise provided in these Rules & Regulations.
5. The Chair shall be a member of all committees.
6. Members of all committees may be removed by the Subscribers' Advisory Board at any time with or without cause or the Subscribers' Advisory Board may terminate any of the committees at any time.
7. Any vacancy in a committee caused by death, resignation, removal or disqualification of a Board Member or Subscriber shall be filled by appointment by the Chair of the Board. Such successors shall serve on the respective committees to which they are appointed until the next organizational meeting of the Board Members.
8. Each committee may make such rules and regulations as the Subscribers' Advisory Board may approve and as the committee may deem proper for its own governance and for the transaction of its business (including but not limited to, rules with respect to call or notice or waiver of call or notice, and the number necessary to constitute a quorum). Except as otherwise provided by the Board or such rules and regulations, committee business shall be conducted in the same manner as provided by these Rules & Regulations for the conduct of business by the Subscribers' Advisory Board.

Article VII - Attorney-In-Fact

1. The Attorney-In-Fact of the RECIPROCAL shall be appointed by and serve at the pleasure of the Subscribers' Advisory Board, consistent with the terms of the Power of Attorney and any agreement between the RECIPROCAL and the Attorney.
2. The Attorney-in-Fact shall serve as the General Manager of the RECIPROCAL, and shall submit an annual report to the Subscribers' Advisory Board setting forth the work of the RECIPROCAL, its financial operations and status, and a budget for the ensuing year.
3. Subject to the supervision of the Subscribers' Advisory Board, the Attorney may delegate to, hire, contract with, and otherwise employ agents and representatives to assist it in carrying out its responsibilities under these Rules & Regulations, the Power of Attorney and any other agreement with the RECIPROCAL.
4. The Attorney shall arrange for the currency and safekeeping of all documents and records of the RECIPROCAL, including these Rules & Regulations, the Power of Attorney, all records of the actions of the Subscribers and the Subscribers' Advisory Board, including Standards and Formulas adopted by the Board, all as amended. The Attorney shall maintain on behalf of the RECIPROCAL a list of all of the Subscribers and their addresses. The list shall be open to inspection by any Subscriber at any reasonable time.

Article VIII - Execution of Papers

Except as the Subscribers' Advisory Board may generally or in particular cases authorize, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts and other obligations made, accepted or endorsed by the RECIPROCAL shall be signed by the Attorney.

Article IX - Council of Advisors, Committees or Panels

The Subscribers' Advisory Board may appoint from their number, or from among such persons as the Board may see fit, a Council of Advisors ("Council") and one or more advisory committees or panels, and at any time may appoint additional members thereto. Members of the Council or any such committees or panels shall serve during the pleasure of the Subscribers' Advisory Board. Members of the Council, advisory committees or panels shall advise with and aid the Board Members and Attorney in all matters designated by them. The Council, or any advisory committee or panel may choose to meet on a regular basis and, in that event, may, subject to the approval of the Subscribers' Advisory Board, prescribe rules and regulations for the call and conduct of its meetings and other matters relating to its procedure.

Article X - Personal Liability

The Subscribers, Board Members and Attorney shall not be personally liable for any debt, liability or obligation of the RECIPROCAL. All persons, corporations or other entities extending credit to, contracting with or having any claim against the RECIPROCAL may look only to the funds and property of the RECIPROCAL for the payment of any such contract or claim, or for the payment of any debts, damages, judgment or decree or of any money that may become due and payable to them from the RECIPROCAL.

Article XI - Indemnification

1. The RECIPROCAL shall indemnify any person who is or was a Subscribers' Advisory Board Member, any other member of a committee of the RECIPROCAL, the Attorney, or any officer, employee or agent of the Attorney, or any other person who, at the request of the RECIPROCAL served as an officer or director of another RECIPROCAL, corporation, partnership, joint venture, trust or other enterprise, or in a fiduciary or other capacity with respect to any employee benefit plan maintained by the RECIPROCAL or by the Attorney for the benefit of its employees involved in activities of the RECIPROCAL (all of such persons herein referred to as "eligible persons"), against any liability incurred by any of them in their capacity as such, to the full extent permitted by the laws of Vermont. Nothing in this Article shall be construed to limit such indemnification to less than the maximum indemnity permitted for directors of business corporations under Subchapter 5 of Chapter 8 of Title 11 of the Vermont Statutes Annotated.
2. The RECIPROCAL shall indemnify any eligible person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including any action by or in the right of the RECIPROCAL) by reason of the fact and in his or her capacity as an eligible person against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged in any such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of duty to the RECIPROCAL, to the Attorney-in-Fact or to such employee benefit plan. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person was liable for gross negligence or willful misconduct.

3. Any indemnification under Section 2 of this Article XI (unless ordered by a court) shall be made by the RECIPROCAL only as authorized in the specific case upon a determination that indemnification of the eligible person is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 2 of this Article XI. Such determination shall be made (1) by the Subscribers' Advisory Board by a majority vote of a quorum consisting of Board Members who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested Board Members so directs, by independent legal counsel in a written opinion, or (3) by the Subscribers.
4. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the RECIPROCAL in advance of the final disposition of such action, suit or proceeding as authorized by the Subscribers' Advisory Board in the specific case upon receipt of an undertaking by or on behalf of the Board Member or officer to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the RECIPROCAL as authorized in these Rules & Regulations.
5. The indemnification provided by this Article XI shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by- law, agreement, vote of Subscribers or disinterested Board Members or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Board Member or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.
6. The Subscribers' Advisory Board may authorize the RECIPROCAL to purchase and maintain insurance on behalf of any eligible person, against any liability asserted against him or her or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the RECIPROCAL would have the power to indemnify against such liability under the provisions of this Article XI.

Article XII - Surplus Account

1. The surplus accounts maintained by the RECIPROCAL shall include (a) Unassigned Surplus, (b) PSAs, and (c) SSAs, as defined in Article I.
2. Allocations to Unassigned Surplus, PSAs and SSAs shall be made in accordance with Standards and Formulas adopted by the Subscribers' Advisory Board, which Standards and Formulas may be amended from time to time; provided that no such amendment may have the retroactive effect of reducing the previously established amount of any Subscribers' Surplus, except to reflect debits authorized in this Article XII and in the Standards and Formulas. The Standards and Formulas will be furnished to the Attorney, and will be made available for review by any Subscriber.
3. The Standards and Formulas to be adopted by the Subscribers' Advisory Board relating to allocations to SSAs shall be consistent with the following:
 - (a) Allocations to SSAs, if any, shall be made no later than March 15 following the calendar year to which they apply. The Subscribers' Advisory Board shall designate whether any such allocations made between January 1 and March 15 relate to the year in which the allocations are actually credited or debited to the prior calendar year. In the absence of such designation, any allocations made from January 1 to March 15 shall be presumed to relate to the prior calendar year.
 - (b) On or before March 15 of the year subsequent to the year to which the credits or debits to SSAs relate, the RECIPROCAL shall mail to each Subscriber receiving an allocation written notification of: (i) the amount (if any) credited or debited to the Subscriber's SSA for the year; (ii) the date on which such amount was credited; and (iii) the date on which the Subscriber's right to such amounts would have become fixed if such Subscriber had terminated its Policy at the close of the prior calendar year. Upon termination of a Subscriber's Policy, the Subscriber's SSA shall be paid to the Subscriber promptly, as set forth in the Standards and Formulas adopted by the Board, consistent with applicable provisions of the Internal Revenue Code and interpretations thereof.

Article XIII - Distributions

1. The Subscribers' Advisory Board shall have the authority, in its sole discretion, to declare and pay dividends and make other distributions to Subscribers; provided however, that such dividends or distributions shall be made in accordance with any Standards and Formulas adopted by the Board with respect to priorities and preferences of subscribers, and shall further be subject to any required regulatory approval.
2. Upon adoption of a Plan of Liquidation and Dissolution by the Subscribers of the RECIPROCAL in accordance with applicable law, the Subscribers' Advisory Board shall terminate and wind up the business and affairs of the RECIPROCAL, in which event the assets of the RECIPROCAL, after the payment of or provision for all liabilities, obligations, and expenses of the RECIPROCAL, that are available for distribution to the Subscribers shall be allocated among the Subscribers and distributed to them based on the ratio that each Subscriber's Surplus (determined as if the date of distribution were the end of a Fiscal Year) bears to the Total Subscribers' Surplus at such date (similarly determined).

Article XIV - Amendments

1. These Rules & Regulations may be amended or repealed and new Rules & Regulations may be adopted by vote of the Subscribers' Advisory Board at any regular or special meeting; provided that approval of the Subscribers is required for any amendment that would change the voting rights of Subscribers or affect any priority allocations referred to in Article XII.
2. Notwithstanding the above, no amendment shall authorize or permit the RECIPROCAL to be operated otherwise than as a Risk Retention Group under the Federal Liability Risk Retention Act as in effect from time to time.

Article XV - Miscellaneous

1. **Reliance on Certificates.** A Certificate by the Attorney or any designee as to any action taken by the Subscribers or the Subscribers' Advisory Board, shall be, as to all persons who rely thereon in good faith, conclusive evidence of such action.
2. **Waiver of Claims Against Subscribers; Rights of Third Parties.** Each Subscriber waives any claim it may have against any other Subscriber based on the insolvency of the RECIPROCAL; provided, however, any such waiver shall not include the waiver of any claim which the Subscribers of the RECIPROCAL may have with respect to any Subscriber's non-payment of the Subscriber's Paid-in Surplus Contribution or any Noncompliance. No person except the RECIPROCAL or the Subscribers shall be deemed to have any right conferred upon it under any provision of these Rules & Regulations. Nor shall any term of these Rules & Regulations be enforceable against the RECIPROCAL or any Subscriber except by the RECIPROCAL, its assignee, or one or more Subscribers.
3. **Accounting; Audits; Actuarial Review.** The RECIPROCAL shall maintain its financial records in good order in accordance with the requirements of the insurance laws and regulations of Vermont. The RECIPROCAL shall cause its financial records to be audited at least once a year by its certified public accountants. The loss reserves established by the RECIPROCAL shall be certified by an actuary or loss reserve specialist at least annually. Each Subscriber shall be entitled to access to the financial records of the RECIPROCAL on such terms and conditions as may be reasonably specified by the Subscribers' Advisory Board.

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