

# SELF-INSURANCE BY-LAWS (Sample)

\_\_\_\_\_  
\_\_\_\_\_  
(Name of Group Fund)

## **ARTICLE I**

- Section 1.** The name of this organization shall be the \_\_\_\_\_ hereinafter referred to as the "fund."
- Section 2.** Its principle office shall be located at \_\_\_\_\_, state of Missouri.
- Section 3.** Other offices for the transaction of business may be located at such places as the Board of Trustees, hereinafter referred to as the "board," may from time to time determine.
- Section 4.** These by-laws are adopted pursuant to and in compliance with the laws of the state of Missouri and with the rules and regulations of the Missouri Division of Workers' Compensation hereinafter referred to as "Division."

## **ARTICLE II**

### **Eligibility**

- \*Section 1.** Participants of the fund must be members of the \_\_\_\_\_ and meet such other qualifications as may be from time to time set by the board and appropriate governmental authorities.
- Section 2.** The board may grant the service agent the authority to accept new applications on a provisional basis pending approval by the board, and the Missouri Division of Workers' Compensation, upon such terms and conditions during the probationary period as the board may from time to time determine.

*(\*Article II, Section 1 must specifically define the industry from which employers will be eligible for membership.)*

## **ARTICLE III**

### **Board of Trustees**

**Section 1.** The business and property of the fund shall be supervised by a Board of Trustees. The initial board of no less than seven (7) trustees shall be appointed by the Board of Directors of the \_\_\_\_\_ to serve temporarily in order to organize the fund. A board shall be elected by the participants of the fund each year at an annual meeting. Except as herein or by law otherwise required, the trustees shall act by majority vote of the trustees present at a meeting at which a quorum is present. Each trustee shall have one (1) vote and no trustee may vote by proxy.

The trustees shall:

- a. Supervise the administration of the fund.
- b. Employ and oversee an independent service agent who shall be responsible for claims administration, safety engineering, general administration, and attorney-in-fact.
- c. Employ legal counsel, accountants and such other professional services as necessary.
- d. Contract for reinsurance with advice of the service agent.
- e. Set requirements for the admission of participants to the fund which shall include such precautions as appropriate to promote the safe and proper operation of the fund. Members should be financially stable and amenable to good, safe and proper operation of the fund.
- f. Endeavor to see that the fund is safely and prudently administered to insure its financial stability.
- g. Perform any other function incident to their office and in keeping with the laws of the state of Missouri.
- h. Members of the fund shall be amenable to good safety practices.

**Section 2.** The Board of Trustees by a two-third (2/3) vote of the then trustees may appoint additional trustees to serve until the next annual meeting of the participants.

**Section 3.** The Board of Trustees shall be composed of no less than seven (7) persons who are representatives of participants in the fund, each of whom shall be a member in good standing in the fund.

**Section 4.** The trustees, by a majority vote, shall elect a chairman, vice chairman, a secretary and a treasurer. They shall appoint a fiscal officer (referred to as administrator) who may be one of the above. In addition, the trustees may appoint such assistant secretaries, assistant treasurers and additional officers as they deem advisable. All officers so elected or appointed shall serve at the pleasure of the Board of Trustees. No officer, except the chairman or vice chairman, shall be a trustee.

**Section 5.** The Board of Trustees may delegate to the service agent and/or the administrator the authority to act on all claim matters between full board meetings.

**Section 6.** Any participant may be expelled from the fund by the trustees, in the event the participant shall fail to pay any premium or assessment due the fund on the date it

becomes due; or in the event the participant shall not file any report or census required to be filed by fund participants on the date the same shall be due; or in the event any report or census required to be filed by fund participants shall contain any materially false statement or omit to state any material information required.

**Section 7.** Compensation to each trustee shall be at a rate not to exceed \$ \_\_\_\_\_ per diem nor \$ \_\_\_\_\_ per annum.

#### **ARTICLE IV** **Officers**

**Section 1.** The chairman of the board shall preside at all meetings of the trustees and of the participants of the fund; shall have general supervision over the affairs of the fund and over the other officers; and shall perform all such other acts and duties as are incident to his executive office, which is comparable to that of president of a corporation. In case of the absence or disability of the chairman, his duties shall be performed by the vice-chairman.

**Section 2.** The secretary may be designated as the fiscal officer (referred to as administrator). The secretary shall record the minutes of all meetings and prepare agendas, records, etc., and other duties normally required of a secretary.

**Section 3.** The trustee shall appoint an investment trustee, which may be a bank, to hold and invest the fund in accordance with the provisions of the Missouri Insurance Code and/or the Division. The investment trustee shall have sole discretion as to the securities in which the fund shall be invested or reinvested, provided that such investments shall be limited to investments which are permissible for trustees in Missouri and acceptable to the Division. The trustees may from time to time change the investment trustee at their discretion.

#### **ARTICLE V** **Meetings**

**Section 1.** The fund shall operate on a fiscal year beginning on \_\_\_\_\_ and ending \_\_\_\_\_ of the following year. An annual meeting of the fund participants shall be held after the close of each fiscal year at such time on such date and at such place as shall be determined by the board. The secretary shall furnish each participant notice of the time, date and place at least thirty (30) days prior to the date of the meeting.

**Section 2.** At each annual meeting of the participants of the fund, the chairman of the board shall submit a statement of the claims experiences of the fund during the preceding, together with a financial report of the fund for the same period.

- Section 3.** An organizational meeting of the board shall be held each year immediately following the annual meeting of the participants of the fund. No notice of this meeting need be given other than an announcement at the annual meeting of participants.
- Section 4.** Special meetings of the board may be called by the chairman and in his absence by the vice-chairman, or by any four (4) members of the board. By unanimous consent of the trustees, special meetings of the board may be held without notice at any time and place; otherwise, notice of all regular and special meetings of the board shall be mailed to each trustee at least ten (10) days prior to the time fixed for the meeting. All notices of special meetings of the board shall state the purpose thereof. In the event all of the members of the board shall severally or collectively consent in writing to any action taken or to be taken by the fund, such action is valid action as though it had been authorized at a meeting of the board.
- Section 5.** A quorum for the transaction of business at any regular or special meeting of the board shall consist of a majority of the trustees then in office.
- Section 6.** The board shall meet no less often than each two (2) months.

## **ARTICLE VI**

### **Finances and Dividends**

- Section 1.** The fund shall operate at least two (2) bank accounts, including a trustees' fund account and a claims' fund account. These two accounts shall be the primary working accounts of the fund.
- Section 2.** All monies of the fund shall be deposited among the trustees' fund account, claims' fund account, or such other account, as the board from time to time shall determine to be appropriate.
- Section 3.** The service agent shall collect all premium contributions, and shall immediately remit them to the depository bank for deposit \_\_\_\_\_ ( %) percent to the claims' fund account and \_\_\_\_\_ ( %) percent to the trustees' fund account. The service agents shall determine and bill for all appropriate insurance premium costs, all self-insurance bond costs, all industrial and/or state taxes, and service fees. The portion of each contribution representing the pure claims' fund shall be kept in the depository bank, claims' fund account; except however, the service agent shall receive from the claims' fund account an amount the service agent and administrator deem sufficient to pay current claims and claims costs.
- Section 4.** That portion of each participant's contribution which shall not be required to pay claims, pay administration expenses and fees or to fund required or appropriate

reserves may be returned to the participants of the fund from time to time, but only when specifically authorized or approved by the Division. No surplus accumulations may be returned if such payment will impair the capital stability and/or security of the fund. Any participant who withdraws and/or is not in good standing shall not be eligible to receive any return from surplus accumulation until the applicable statutes of limitation shall expire on all open or potential claims for the fiscal year involved. Open claims for this purpose shall mean any situation where notice of injury was given to the participant, whether or not the participant shall have reported the same. In the event the board is unable to identify or deliver a refund for any reason, such monies shall remain in the fund for the benefit of the remaining participants.

**Section 5.** All costs of administration of the fund not otherwise provided for herein shall be paid out of the trustees' fund.

**Section 6.** An annual audit shall be made of the fund by accountants designated by the board. The expense of this audit will be paid out of the trustees' fund. Copies of each year's audit shall be made available to the Division and each participant during that year.

**Section 7.** Each fund year shall be maintained separately for accounting purposes for the benefit of the fund participants active during that year.

**ARTICLE VII**  
**General Provisions**  
**Collections of Contributions**

**Section 1.** The board shall require each participant of the fund to be a member in good standing of \_\_\_\_\_ Association.

**Section 2.** Each participant shall make a deposit with the fund equal to 50% of its estimated contribution for the first year. Further, each participant shall deliver to the service agent or administrator (as the board shall direct) an accounting of its actual payroll and make payment of its contribution each month thereafter, no later than the tenth day of the following month. The service agent and the administrator are without authority to extend credit to any fund participant.

**Section 3.** At the inception of each successive year of the fund, the service agent will determine each participant's deposit for that year (which will be based on the participant's loss experience for the prior year) and shall promptly after the determination thereof notify each participant thereof. Each participant's deposit shall be subject to review by the board.

**Section 4.** Participants must keep accurate safety records and cooperate with the board, the service agent, the administrator, and the representatives of the applicable state agencies having jurisdiction over workers' disability compensation or safety matters. It is required that each participant will take all necessary action to carry out the recommendations of any loss control inspections.

**Section 5.** The board shall, in conjunction with the service agent, issue reasonable operating procedures, providing regulations for the operation of the fund. All such procedures shall be reduced to writing and a copy given to each fund participant and shall be deemed binding immediately upon receipt.

### **Section VIII** **Amendments**

**Section 1.** Amendments to these by-laws may be made by a vote of two-thirds (2/3) of the trustees present at any annual or regular meeting or any special meeting of the board and subject to approval of the Division when the meeting has been called for that purpose and the amendment has been set out in the notice of such meeting. Amendments to these by-laws may be made by two-thirds (2/3) of the participants present either at any annual meeting or at any special meeting called for that purpose.