UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, December 3, 1999, 1:00 p.m.
Utah Association of Counties Building
5397 South Vine Street, Murray, UT

A G E N D A

1:00	Call to Order and Welcome of New Trustees	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Overview of Annual Membership Meeting	Gary Herbert
	Election of Officers	Dan McConkie
	2000 Meeting Schedule	
	Introduction of New Claims Personnel	Brett Rich
	Broker Report	Rich Stokluska
	Review of 2000 Contracts	Brett Rich
	2000 General Budget Amendments	Brett Rich
	Salt Lake County Proposal	Brett Rich Rich Stokluska
	Summary of Financial Statements	Brett Rich
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
3:00	Birthday/Christmas Party with Hors D'oeuvres and Cake	

UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UACIM BOARD OF TRUSTEES MEETING

MINUTES

December 3, 1999, 1:00 p.m.
Utah Association of Counties Building

BOARD MEMBERS PRESENT	Gary Herbert, *President*, Utah County Commissioner Ken Bischoff, Weber County Commissioner Chad Johnson, Beaver County Commissioner Ty Lewis, San Juan County Commissioner Royal Norman, Box Elder County Commissioner Sarah Ann Skanchy, Cache County Council Member (via telephone) Kent Sundberg, Utah County Deputy Attorney
BOARD MEMBERS ABSENT	Dan McConkie, *Secretary-Treasurer,* Davis County Commissioner Tex Olsen, Sevier County Commissioner Kent Petersen, Emery County Commissioner Ed Phillips, Millard County Sheriff
OTHERS PRESENT	Brent Gardner, UAC Executive Director Brett Rich, Director, UACIM Sonya White, UACIM Administrative Assistant

CALL to ORDER

Gary Herbert called the meeting to order and introduced the newest members of the Board—Ken Bischoff and Ty Lewis.

REVIEW of BOARD MEMBERS ABSENT

Tex Olsen (illness), Kent Petersen and Ed Phillips (prior meeting commitments) requested to be excused from this meeting. Ty Lewis made a motion to excuse these Board Members from this meeting. Chad Johnson seconded the motion, which passed unanimously. Dan McConkie had not contacted UACIM staff as to why he was unable to attend today.

OVERVIEW OF ANNUAL MEMBERSHIP MEETING

Pursuant to the Annual UACIM Membership meeting held November 17, 1999, Ty Lewis suggested that the Mutual conduct a separate meeting for the member county insurance coordinators to give more in-depth training. Ty also suggested that the membership meeting last for an hour instead of two with handouts and more visual presentations by presenters. Because of the problems experienced with members attending the dinner but not the meeting, the Board decided to serve dinner during the meeting.

ELECTION OF OFFICERS

Pursuant to Article 6.1 of the Bylaws, *The principal offices of the Board shall be...elected by and from among the Trustees at the first Board meeting following each annual meeting of the Members.* Current officers are Gary Herbert, *President*; Jerry Hess, *Vice President*; Dan McConkie, *Secretary-Treasurer.* Royal Norman made a motion to elect Gary Herbert, *President*; Dan McConkie, *Vice President*; and Sarah Ann Skanchy, *Secretary-Treasurer.* Chad Johnson seconded the motion, which passed unanimously.

2000 MEETING SCHEDULE

Royal Norman made a motion to approve the following dates as the tentative regular meeting dates for 2000: January 28, February 25, March 23, April 12, May 25, June 22, July 27, August 24, September 28, October 26, November 15, December 21. Chad Johnson seconded the motion, which passed unanimously.

5397 SOUTH VINE STREET, SALT LAKE CITY, UT 84107 • 801-265-1331 • FAX 801-265-9485

INTRODUCTION of NEW CLAIMS PERSONNEL

Brett Rich introduced Jeff Powell who has replaced Doug Alexander as the Claims Manager and Charmaine Green who has replaced Sue Benton as the Technical Assistant to the Claims Manager for the Mutual. Jeff and Charmaine were selected from a number of qualified applicants. Curt Hamby conducted the selection process and interviews and proposed Jeff and Charmaine as McLarens' choice for these positions. Jeff and Charmaine reviewed their experience with the Board.

BROKER'S REPORT

Neither John Chino nor Rich Stokluska was able to attend this meeting, therefore Brett Rich reported that the renewal quotation from Savers Insurance Company for the D&O/E&O policy for UAC, UACIM and MCAT is $5248. This quote is down $127 from last year's premium. Royal Norman made a motion to approve the payment of the D&O/E&O policy for 2000. Kent Sundberg seconded the motion, which passed unanimously.

John Chino joined the discussion via telephonic conference as Brett reviewed the property marketing results and summary with the Board (see attachment #1). John explained that he had a hard time marketing the property coverage once companies knew the coverages and premium the Mutual has with Reliance Insurance Company. The coverages offered by those companies inclined to quote are far less and at a much higher premium than Reliance. Because Reliance is under review and the stability of the company is questionable, Brett explained that the Board has two options to a renewal of last year's agreement; 1) negotiate a cut-through agreement with American Reinsurance (the company who reinsures Reliance) or 2) select a new carrier at a higher premium. John explained that if the Board decides on a new carrier he will negotiate with that carrier to lower the premium from what was quoted. Chad Johnson made a motion directing John Chino to negotiate a cut-through agreement with American Reinsurance. Kent Sundberg seconded the motion, which passed unanimously.

SALT LAKE COUNTY PROPOSAL

Brett Rich reported that on November 3, Salt Lake County issued a RFP for Insurance Broker Services for the County's OCIP's. Gallagher's was included on the request list and discussed the positive aspects of attempting to work together on these OCIP's. There are benefits of having an OCIP program available to the members and of managing the Salt Lake County program. John Chino prepared a projected savings analysis to illustrate how much a county can save if a project is underwritten through an OCIP (see attachment #2). Brett explained that if the Mutual does not respond to this RFP by the extended deadline date of December 9, the chances of working with Salt Lake County will be gone for some time. Chad Johnson made a motion directing Brett Rich and John Chino to submit a proposal for Salt Lake County's OCIP's. Royal Norman seconded the motion, which passed unanimously.

REVIEW of 2000 CONTRACTS

Brett Rich reviewed the four contracts to be renewed. 1) Broker contract with Gallagher has no changes to content or price. 2) Accounting contract with Larson & Company has no changes to content but price has increased $1105. 3) Actuarial contract with Taylor Walker has been modified to incorporate the reinsurance requirements and the price has increased $1000 (see attachment #3). 4) Claims contract with McLarens Toplis has been modified in the indemnification and termination provisions sections as well as office space provided at no charge with the price reduced for the rent for a total contract price of $224,000 (see attachment #4). Kent Sundberg made a motion approving the 2000 contracts. Chad Johnson seconded the motion, which passed unanimously.

2000 GENERAL BUDGET AMENDMENTS

Brett Rich explained that the amount provided to the Board for the Claims Management Expenses was calculated incorrectly for the office space rent. Instead of $216,000 the correct amount is $224,000. The budget may also need to be amended once the Board decides on the 2000 property carrier and if the contract is awarded to the Mutual for the Salt Lake County OCIP. The Board will review all amended budget items at the next meeting.

SUMMARY of FINANCIAL STATEMENTS

Brett Rich reviewed the October Financial Statements with the Board. Page three shows a decrease of $284,689 in the admitted assets from the September statements. That decrease was offset by the reduction of liabilities of $307,534. Total surplus increased by $22,845 for a total of $3,509,961. Page

four shows that the investment income increased $37,491 and the net income for the year increased $77,103. Page five shows that surplus is now up $172,226 from last year-end even after the $300,000 debentures payment. The Cash Flow Statement, page six, shows that cash and investments are still $1,085,169 ahead of last year-end. With the year 83% complete, revenue is ahead of budget and expenses (excluding the debenture payment) are behind budget on page 12. Net income is behind budget due to the debenture payment but the Mutual still has a good chance of meeting the budget on the statutory yellow blank. Ken Bischoff made a motion to accept the October financial statements as presented by Brett Rich. Kent Sundberg seconded the motion, which passed unanimously. The Board directed Brett to contact Larson and Company to correct the month listed on page 12 from September to October.

ACTION on LITIGATION MATTERS

Brett Rich reported that one of the defense attorneys that have assisted the Mutual on several cases, Lynnette Hutton, has left the firm of Stirba & Hathaway and is now with the firm Richman & Richman. The Litigation Committee recommends that the firm of Richman & Richman be added to the approved defense attorney list. Brett met with Ms. Hutton who confirmed that Richman & Richman has no conflicts with the Mutual and will abide by the Mutual's restrictions. Ty Lewis made a motion to add the law firm of Richman & Richman to the approved defense attorney list. Chad Johnson seconded the motion, which passed unanimously.

OTHER BUSINESS

The next meeting of the Board of Trustees will be held on Friday, January 28, 2000 at 9:30 a.m. at the Utah Association of Counties building.

Approved on January 28, 2000

Sarah Ann Skanchy

Sarah Ann Skanchy, *UACIM Secretary-Treasurer*
Cache County Council Member

UTAH ASSOCIATION OF COUNTIES

RENEWAL QUOATION

Coverage:	Nonprofit Association Professional Liability Insurance, defense costs in addition to the limit of liability and first dollar-defense coverage
Carrier:	Savers Property & Casualty Insurance Co. Non Admitted - Rated A-VI
Policy Period:	12/20/99 to 12/20/00
Limit:	$1,000,000 Per Occurrence (Including Prior Acts)
Deductible:	$10,000
Premium:	**$5,248**

Endorsements/Exclusions:

- Addition of Insured Endorsement
- Employment Practices Liability Extension Endorsement
- Failure to maintain insurance
- Service of Suit Clause
- Insurance Sponsorship Endorsement
- Professional Liability Endorsement - as per expiring

UTAH ASSOCIATION OF COUNTIES
Property Marketing Results

Reliance Discover I " II JIG Swiss Re

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A.M. Best's Rating	A- XIII	A- VI	A-VI	A XII	A XI
Self-insured Retention	$150,000	$150,000	$150,000	$150,000	$150,000
Limit per Occurrence	$100,000,000	$100,000,000	$5,000,000	$100,000,000	$100,000,000
Limit Excess of Primary(1)			95,000,000		
Total Limit	$100,000,000	$100,000,000	$100,000,000	$100,000,000	$100,000,000
Sublimits:					
Flood	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$25,000,000
Zone "A" Exclusion	No	No	No	No, limited to $5,000,000	Yes
Earthquake	$25,000,000	$25,000,000	$25,000,000	$25,000,000	Excluded
Builders' Risk	$5,000,000	$5,000,000	$5,000,000	Available(2)	Available(2)
Demolition/Increased Cost of Construction	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Debris Removal	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Newly Acquired Property	$500,000	$500,000	$500,000	$500,000	$500,000
Errors & Omission	$1,000,000	$1,000,000	$1,000,000	$1,000,000	Excluded
Pollutant Cleanup	$250,000	$250,000	$250,000	Excluded	$250,000
Automobile Physical Damage	Included	Included	Included	Available(2)	Available(2)
Total Premium	**$136,000**	**$335,321**	**$293,199**	**$250,000**	**$225,000**

(1) Provided by Royal Insurance Co. (A.M. Best's Rating A XIV).

(2) Premiums would be adjusted using the current policy rate for any builders' risk projects added during the term of the agreement.

Property Marketing Summary	
Company	Comments
Allianz	Declined--priced too thin
Travelers Insurance Group	Declined due to price
Munich Re	Not a valid property market-capacity
Genesis	Indication @ .05 rate
Lexington Insurance Company	Primary limit only with loss limit
TIG	Quoted
Affiliated FM	Declined--priced too thin
Swiss Re	Quoted excluding Flood Zone A and Earthquake
Scor Re	Declined due to Earthquake limits/exposures
Discover Re	Quoted two options
Zurich-American	Declined due to price
Royal Insurance Co.	Primary too thin; excess limit possible.

New Mexico Association of Counties – OCIP

Projected Savings Analysis

August 20, 1999

Bernalillo County

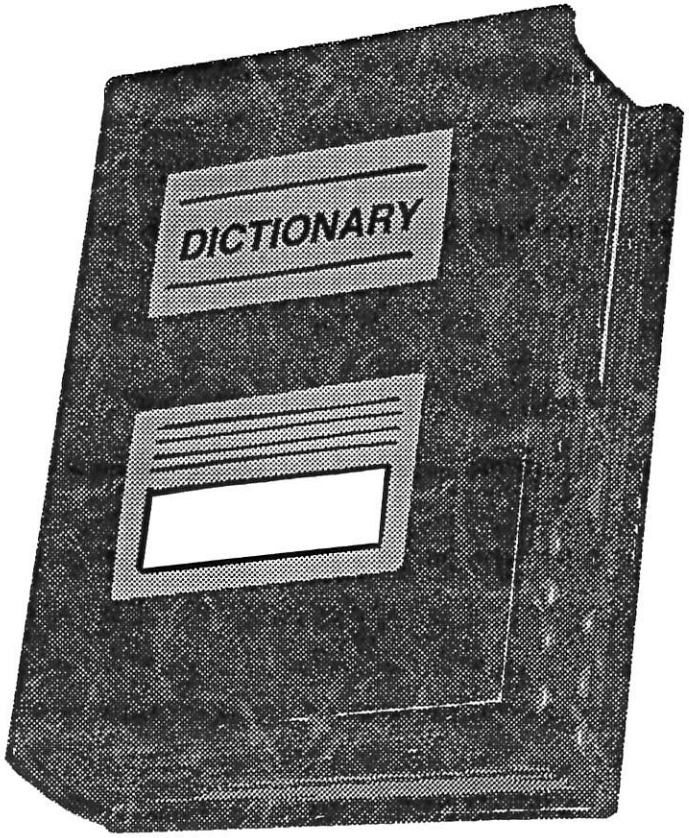
Project: Jail Project	Project Duration: 18 Months
Construction "Hard Costs"	$62,225,226
Bid Deductions (1.82%)	$1,132,499
NMAC-OCIP Insurance Cost	$792,343
Net Savings	$340,156

The above information is for illustrative purposes only. This program is underwritten by AIG, a division of American International Companies. Project payrolls are estimated to be $11,200,540. This represents an increase in payroll of 55.5% from original estimates. This is reflective of an increase in the project scope from $40 million to $62.2 million. The OCIP premium quoted is based on a Guaranteed Cost basis for the Workers' Compensation, General Liability and Excess Liability coverages.

Arthur J. Gallagher & Co.
12444 Powerscourt Drive
St. Louis, Missouri 63144
(800) 877-8218
(314) 965-5425 fax

Definition of an OCIP

A single insurance program covering the job-site risks of the project owner, design/build team or program manager, and all tiers of subcontractors. The program usually excludes vendors, suppliers and/or materialmen. It is commonly referred to as a Wrap-Up.



OCIP Concept

- A single insurance policy to protect the owner, contractor and all tiers of subcontractors.
- Coverages usually include Workers' Compensation, General Liability, and sometimes Builders' Risk & Professional Liability
- Insures specific exposures of the work
- Covers those actively engaged in the work

Introduction to an Owner Controlled Insurance Program

- Attractive to Owners (Counties)
  - Reduces Construction Risks
  - Reduces Costs
  - Reduces Delays
  - Provides Broad Insurance Coverages

OCIP Benefits

- Cost Savings
  Guaranteed Min. .5%
  Additional dividend possible
  - ✓ Economies of Scale
  - ✓ Dividend on Favorable Loss Experience
  - ✓ Eliminate Duplicate Coverages
- Public Relations
  - ✓ Supports Minority / Women Business Participation
  - ✓ Minimizes Litigation
- Control
  - ✓ Limits
  - ✓ Quality & Stability of Insurance
  - ✓ Coordinated/Consolidated Loss Control
  - ✓ Claims Management
  - ✓ Protection of Owner Assets

UACIM Recommended Structure

- Discounted Guaranteed Cost with Dividend
  - Advantages include a guaranteed or known savings up front for each County (project), and the opportunity to increase savings for good loss experience
  - Expected up front savings approximately .5% of hard construction costs with an opportunity to save up to 1% with good losses.

Roles & Responsibilities

- Pre-construction
  - ✓Assist with contract language for bid packages
  - ✓Design & market OCIP
  - ✓Coordinate safety & claims programs
- Construction
  - ✓Enroll contractors
  - ✓Track monthly payroll
  - ✓Support safety & claims management
  - ✓Monthly Status & Stewardship reports
- Post-construction
  - ✓OCIP close-out

UACIM & AJG

AGREEMENT

THIS AGREEMENT is made and entered into this day of December, 1999, by and between UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL, a political subdivision of the State of Utah ("UACIM"), and Taylor-Walker & Associates, Inc., ("Taylor-Walker").

I. RECITALS

WHEREAS, UACIM desires to obtain certain actuarial services; and

WHEREAS, Taylor-Walker is engaged in the business of providing professional actuarial services; and

WHEREAS, Taylor-Walker desires to provide certain actuarial services to UACIM and UACIM desires to have Taylor-Walker provide such services in accordance with the terms hereof.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

II. AGREEMENT

A. Obligations of Taylor-Walker

1. Taylor-Walker agrees to provide UACIM with a Statement of Actuarial Opinion (Opinion) and an actuarial report (Report) regarding loss and loss adjustment expense reserves as of and for the period beginning January 1, 1999 and ending December 31, 1999. The Opinion and the Report will meet all applicable regulatory requirements of the Utah State Insurance Department.

2. Taylor-Walker agrees that UACIM may provide the Opinion, Report and Executive Summary, as well as any other documents provided by Taylor-Walker pursuant to this agreement, to the UACIM Board of Trustees (Board), as required by regulatory requirements, as the report of the Actuary. Taylor-Walker further agrees to present its findings to the Board or its designee, upon request.

3. Taylor-Walker's work product will express its opinion as to whether the reported loss and loss expense reserves meet the requirements of Utah, are computed in accordance with the principles applicable to the evaluation of loss and loss expense reserves as set forth in Actuarial Standards of Practice, and make a reasonable provision for all unpaid loss and loss adjustment expense obligations of UACIM under the terms of its polices and agreements. However, the Opinion will not be regarded as establishing or recommending UACIM's loss and loss expense reserves.

4. Taylor-Walker agrees that R. Glenn Taylor, A.C.A.S., M.A.A.A. who has been appointed as UACIM Actuary by the Board, will be responsible for assuring the overall quality, value, and timeliness of Taylor-Walker's services to UACIM and will sign the Opinion. Mr. Taylor will direct the day-to-day responsibilities of the engagement; and of Taylor-Walker's staff who will provide additional support.

5. Subject to the occurrence of events beyond Taylor-Walker's reasonable control, including, without limitation, failure of UACIM to perform its obligations as set forth in Section II. C. below, Taylor-Walker agrees to complete the work in accordance with the following time schedule:

Schedule P Completed	February 19, 2000
Draft of Actuarial Statement of Opinion	February 19, 2000
Final Statement of Opinion	February 26, 2000
Draft of Report	March 17, 2000
Final Report	March 24, 2000

B. Limitations of the Actuarial Analysis and Statement of Opinion

The estimation and recording of the loss and loss adjustment expense reserve liabilities are the responsibility of UACIM. In providing this Opinion, Taylor-Walker is not establishing or recommending UACIM's reserve levels. Neither the Opinion nor the analysis can guarantee the adequacy of reserves to meet ultimate liabilities. The Opinion is provided to satisfy regulatory requirements; further use or distribution of the Opinion is not authorized without prior written approval by Taylor-Walker. The Opinion is limited to the loss and loss adjustment expense liabilities in the 1999 Statutory Annual Statement, Page 3, Lines 1 and 2 and Schedule P, Part 1, Total for Columns 14, 16, 18, 20, and 22, line 12.

To satisfy Opinion requirements, Taylor-Walker will analyze loss and loss expense reserves on a net and gross basis. In addition, Taylor-Walker is required to comment in the Opinion on items such as discounting of loss reserves, salvage and subrogation, underwriting pools and associations, loss portfolio transfer, financial reinsurance, reinsurance collectibility, NAIC IRIS test values and any additional relevant topics which in the actuary's judgment materially affect loss or loss expense reserves. Material issues related to these matters and where Taylor-Walker has relied upon UACIM's representations will be included in a representation letter to be provided to Taylor-Walker prior to the issuance of the Opinion. Further, Schedule P data must be reconciled to the data used in the actuarial analysis for the Opinion. If during the course of an audit the actuary is notified by the auditor of inaccuracies in the data which invalidate the Opinion, Taylor-Walker will retract the Opinion and provide a revised Opinion to UACIM and the Insurance Department. The resulting additional work to be performed would be charged for in addition to the fees described herein.

The results of the analysis will provide estimates of the liabilities and ranges of reasonable values. If UACIM's carried liabilities are within this range, a "reasonable" Opinion will be expressed. A "deficient" Opinion will be expressed if statement liabilities fall below the minimum and the amount of deficiency below the minimum will be identified in the Opinion. Additional qualifications to the Opinion may be required as determined by our analysis.

The evaluation of loss and loss adjustment expense reserves requires the estimation of loss development over an extended period of time. During this period, numerous factors will affect the ultimate settlement value of claims. Although Taylor-Walker's analysis will be performed according to generally accepted actuarial practices and standards, there can be no guarantee that the actual losses will not vary significantly from the estimates upon which Taylor-Walker will base the Opinion, due to the uncertainty inherent in loss projections.

C. Obligations of UACIM

1. UACIM agrees to provide the following information regarding loss and loss adjustment expense reserve liabilities to Taylor-Walker on or before January 15, 2000:

   a. "Consolidated Coverage Loss and Claims Experience" reports as of 12/31/99, for the following claim periods:

      1/1/92 – 12/31/92,
      1/1/93 – 12/31/93,
      1/1/94 – 12/31/94,
      1/1/95 – 12/31/95,
      1/1/96 – 12/31/96,
      1/1/97 – 12/31/97,
      1/1/98 – 12/31/98, and
      1/1/99 – 12/31/99

   b. Individual large loss listing (above $25,000) as of 12/31/99.

   c. Copy of UACIM Annual Statement for the period ending 12/31/98.

   d. Copy of Unit Loss Summary report as of 12/31/99 for each claim period.

   e. Copy of Open/Closed Case Register report as of 12/31/99.

   f. Latest available totals for all members combined, regarding expenditures, number of autos and total insured values.

g. Copy of each reinsurance agreement.

h. Copy of 1999 Member Coverage Agreement.

2. UACIM agrees to maintain the Report and make it available for examination for seven years.

3. UACIM agrees to pay a fee for the services described herein in the amount of $8,000.00. Such fee does not include either the optional report to the Board of Trustees provided in Section II. A. 2., or the revised Opinion if required pursuant to Section II. B. If required, such services would be paid by UACIM at Taylor-Walker's then current rates.

   The stated fee includes a reasonable amount of consultation with UACIM staff and others regarding loss and loss adjustment expense reserving or other significant business issues. Should additional consultation or actuarial work be necessary due to unexpected results, UACIM and Taylor-Walker will agree to an appropriate revision in services and fees.

4. UACIM agrees to pay for services within 30 days of invoice. UACIM shall also pay interest on amounts not paid within 30 days of invoice, at the rate of 1.5% per month.

D. Mutual Obligations

1. Ownership of Records and Documents

   Subject to the exceptions contained herein, all information and materials in connection with this agreement shall be considered "Confidential Information". Taylor-Walker agrees to not reproduce, disclose or disseminate any Confidential Information pertaining to UACIM except as described herein or required by law, without the prior written consent of UACIM.

   Confidential Information shall not include information which:

   a) was known to Taylor-Walker before disclosure hereunder; or

   b) is or becomes publicly known through no wrongful act of Taylor-Walker; or

   c) is independently developed by Taylor-Walker; or

d) is disclosed to Taylor-Walker by a third party without breach of any obligations of confidentiality; or

e) is disclosed pursuant to court order, duly authorized subpoena, or governmental authority.

Upon termination of this Agreement for any reason, Taylor-Walker shall immediately return all such material, and any copies thereof, to UACIM, without charge.

2. Indemnification and Insurance

Taylor-Walker agrees to indemnify, defend and hold harmless UACIM and its officers, trustees, and employees from any and all types of suit, claim, action, loss, damage, liability and expense, including attorney's fees arising from any act, error, omission or misrepresentation of Taylor-Walker or its employees, agents or servants regarding the subject matter of this Agreement, except that in the event of any final judgment of a court (on which an appeal is not made) against which holds that has been independently negligent or contributorily negligent in its actions, then Taylor-Walker shall not be required to indemnify UACIM for any portion of said judgment which pertains solely to UACIM's independent negligence or contributory negligence.

UACIM agrees to indemnify, defend and hold harmless Taylor-Walker and its officers, trustees, and employees from any and all types of suit, claim, action, loss, damage, liability and expense, including attorney's fees arising from any act, error, omission or misrepresentation of UACIM or its employees, agents or servants regarding the subject matter of this Agreement, except that in the event of any final judgment of a court (on which an appeal is not made) against which holds that Taylor-Walker has been independently negligent or contributorily negligent in its actions, then UACIM shall not be required to indemnify Taylor-Walker for any portion of said judgment which pertains solely to Taylor-Walker's independent negligence or contributory negligence.

Taylor-Walker will maintain Workers Compensation insurance to statutory limits and General Liability, Auto Liability, and Errors and Omissions Liability Insurance, each with limits of at least $1 million, or such additional amounts as may be required by the Utah Commissioner of Insurance, throughout the term of this Agreement. Taylor-Walker will provide evidence of Insurance upon request.

3. Waiver of Nonperformance

No waiver of any default in performance on the part of Taylor-Walker or like waiver by UACIM, or any breach or a series of breaches of any of the terms, covenants or conditions of this Agreement shall constitute a waiver of any subsequent breach or a waiver of said terms, covenants or conditions. Resort to any remedies referred to herein shall not be construed as a waiver of any other rights and remedies to which either party is entitled under this Agreement or otherwise.

4. Partial Invalidity

Should a court of competent jurisdiction declare any part of this Agreement, for any reason, invalid, the remaining portion shall remain in full force and effect as if this Agreement had been executed without the invalid portion.

5. Governing Law

The validity, interpretation and performance of this Agreement shall be controlled and construed according to the laws of the State of Utah. The parties agree to the jurisdiction and venue of any duly authorized Court in Salt Lake City, Utah that possesses adequate and appropriate personal and subject matter jurisdiction.

This agreement automatically conforms to any applicable Utah law or regulation (or amendment thereto).

6. Entire Agreement; Modification or Amendment

This Agreement represents the entire and exclusive statement of the agreement of the parties and may be modified or amended only by a written statement signed by both parties. Such modification or amendment shall be attached to, and shall thereupon become a part of this Agreement.

7. Headings

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

8. Practice of Law

It is understood and agreed that Taylor-Walker will not perform, and UACIM will not request performance of, any services which may constitute the unauthorized practice of law.

9. Remedies Not Exclusive

No remedy conferred hereunder is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

10. Assigns and Subcontracting

This agreement is personal to each of the parties and no party may assign or delegate that party's rights or obligations under this agreement without first obtaining the express written consent of the other party. This Agreement shall be binding upon and shall inure to the benefit of all assigns, transferees and successors in the interest of the parties hereto.

E. Relationship of the Parties

It is understood and agreed that Taylor-Walker is engaged to perform services under this Agreement as an independent contractor. The parties agree that neither party has any relationship with or contractual liability to the other with respect to the subject matter of this Agreement other than as set forth herein.

F. Notices

All notices as provided herein shall be in writing, and shall be sent certified mail, postage prepaid, with return receipt requested to the following address or to such other address as either party may hereafter furnish:

For Utah Association of Counties Insurance Mutual:

Brett Rich, Director/Legal Counsel
Utah Association of Counties Insurance Mutual
5397 South Vine Street
Salt Lake City, Utah 84107

For Taylor-Walker & Associates, Inc.:

R. Glenn Taylor
P.O. Box 156
7681 South Main
Midvale, UT 84047

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

By: _____

Title: _____

Taylor-Walker & Associates, Inc.

By: _____

Title: _____

AGREEMENT

THIS AGREEMENT is made and entered into this day of , 1999, by and between UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL, a political subdivision of the State of Utah, hereinafter referred to as ("UACIM"), and McLarens Toplis North America, Inc., a corporation hereinafter referred to as ("McLARENS").

I. RECITALS

WHEREAS, UACIM desires to obtain certain claims administration services; and

WHEREAS, McLARENS is engaged in the business of providing professional claims administration services; and

WHEREAS, McLARENS desires to provide certain claims administration services to UACIM and UACIM desires to have McLARENS provide such services in accordance with the terms hereof.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

II. AGREEMENT

A. Obligations of McLARENS

1. McLARENS agrees to handle all claims and/or losses incurred or presented during the contract period. This will include the engagement of defense counsel or the production of an extension of time agreement on all litigated matters.

2. McLARENS agrees to adjust to conclusion, to the extent deemed necessary by McLARENS, all reported claims and/or losses and to delegate or assign specific investigation or adjusting functions to outside independent contractors wherever appropriate due to the location of the claim and/or catastrophic type losses. Claims will be adjusted or handled by the dedicated Claims Unit consisting of a Claims Manager and Clerical/Claims Assistant.

   The dedicated Claims Unit will be monitored and/or assisted in their handling of the claims by a McLARENS Claims Administrator. The Claims Administrator will monitor the overall claims operation, assist the Claims Manager in the handling of large, complex claims and/or the coverage resolutions. The Claims Administrator will make regular visits to the dedicated Claims Unit for the purpose of auditing

the claims function; as well as personally be involved in the handling and adjusting of complex and/or large litigated claims; and, will attend Board or Committee meetings as deemed necessary. Also, the Claims Manager will attend Board and/or Litigation Management Committee meetings as requested.

3. McLARENS shall determine what payment, if any should be made on the client's behalf based upon McLARENS investigation and applicable law. McLARENS will secure the client's approval before offering any settlement which exceeds $25,000.00, or such other discretionary settlement authority limit established by UACIM.

4. McLARENS shall coordinate and pay all indemnity payments and allocated expenses that shall be incurred in the investigation, adjustment and defense of any reported claim. Allocated Expenses shall mean all costs or expenses incurred by McLARENS on the client's behalf as a result of its engaging the service of firms or persons outside McLARENS organization for work in connection with investigation, adjustment, settlement or legal defense.

5. McLARENS must notify UACIM, in writing, when total paid expense on any one claim exceeds $25,000.00.

6. McLARENS shall establish a claim file on each reported and reserved loss. The file will be the property of the client and will be available for inspection upon McLARENS receipt of reasonable notice.

7. McLARENS shall furnish UACIM and each Member with statistical or loss experience reports concerning claims reserves, payments and status, as agreed upon, in a Loss Run at an interval of every month, beginning January 31, 2000.

8. McLARENS shall inform the UACIM Director of all significant developments in the course of McLARENS investigation.

9. McLARENS shall comply with the notice requirements of all reinsurance agreements to which UACIM is a party.

10. McLARENS shall furnish UACIM with a monthly Check Register showing disbursements from the loss fund described in Section II.A.4. In addition, McLARENS shall furnish copies of all checks written on the client's checking account prior to the release to the payee.

B. Obligations of UACIM

1. UACIM shall promptly refer all claims or losses that fall within the terms of this Agreement, within a reasonable time under the circumstances.

2. UACIM shall pay McLARENS its service fees and legitimate file adjusting expenses, in conformity with the terms of this agreement.

3. UACIM shall provide McLARENS discretionary settlement authority in the amount of $25,000.00.

4. UACIM shall respond in an expeditious manner to McLARENS requests for authority on losses exceeding the Discretionary Settlement Authority.

5. UACIM shall furnish McLARENS with copies of all excess policies and reinsurance agreements as necessary to comply with the reporting provisions of A.9 of this Section.

6. UACIM shall provide unfurnished office space, including 2 offices and a workroom in space leased from Utah Association of Counties, at no additional charge to McLARENS. The office space shall include utilities (except telephone, computer and fax lines, etc.) and the reasonable use of building amenities.

C. Mutual Obligations

1. Ownership of Records and Documents

   All loss and claim information and all claims files, both hard copy and electronically generated or stored, are the property of UACIM and are considered confidential information.

   Subject to the exceptions contained herein, all information and materials in connection with this agreement shall be considered "Confidential Information". McLARENS agrees to not reproduce, disclose or disseminate any Confidential Information pertaining to UACIM except as described herein or required by law, without the prior written consent of UACIM.

   Confidential Information shall not include information which:

   a) was known to McLARENS before disclosure hereunder; or

   b) is or becomes publicly known through no wrongful act of McLARENS; or

c) is disclosed pursuant to court order, duly authorized subpoena, or governmental authority.

Upon termination of this Agreement for any reason, McLARENS shall immediately return all such material, and any copies thereof, to UACIM, without charge.

2. Indemnification and Insurance

McLARENS agrees to indemnify, defend and hold harmless UACIM and its officers, trustees and employees from any third party claims or action (and resultant loss, damage, liability and expense, including attorney's fees) to the extent caused directly and proximately by the negligence or willful misconduct of McLARENS, or its employees, agents or servants in the course of providing services hereunder. UACIM will give McLARENS prompt notice of any such claim and McLARENS will control the defense or settlement thereof.

UACIM agrees to indemnify, defend and hold harmless McLARENS and its officers, trustees and employees from any third party claims or action (and resultant loss, damage, liability and expense, including attorney's fees) to the extent caused directly and proximately by the negligence or willful misconduct of UACIM, or its employees, agents or servants in the course of providing services hereunder. McLARENS will give UACIM prompt notice of any such claim and UACIM will control the defense or settlement thereof.

McLARENS will maintain Workers Compensation insurance to statutory limits and General Liability, Auto Liability, and Errors and Omissions Liability Insurance, each with limits of at least $1 million, or such additional amounts as may be required by the Utah Commissioner of Insurance, throughout the term of this Agreement. McLARENS will provide evidence of Insurance upon request.

3. Waiver of Nonperformance

No waiver of any default in performance on the part of McLARENS or like waiver by UACIM, or any breach or a series of breaches of any of the terms, covenants or conditions of this Agreement shall constitute a waiver of any subsequent breach or a waiver of said terms, covenants or conditions. The pursuit of any remedies referred to herein shall not be construed as a waiver of any other rights and remedies to which either party is entitled under this Agreement or otherwise.

4. Partial Invalidity

Should a court of competent jurisdiction declare any part of this Agreement, for any reason, invalid, the remaining portion shall remain in full force and effect as if this Agreement had been executed without the invalid portion.

5. Governing Law

The validity, interpretation and performance of this Agreement shall be controlled and construed according to the laws of the State of Utah. The parties agree to the jurisdiction and venue of any duly authorized Court in Salt Lake City, Utah that possesses adequate and appropriate personal and subject matter jurisdiction.

This agreement automatically conforms to any applicable Utah law or regulation (or amendment thereto).

6. Entire Agreement; Modification or Amendment

This Agreement represents the entire and exclusive statement of the agreement of the parties and may be modified or amended only by a written statement signed by both parties. Such modification or amendment shall be attached to, and shall thereupon become a part of this Agreement.

7. Headings

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

8. Practice of Law

It is understood and agreed that McLARENS will not perform, and UACIM will not request performance of, any services which may constitute the unauthorized practice of law.

9. Remedies Not Exclusive

No remedy conferred hereunder is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

10. Assigns and Subcontracting

This agreement is personal to each of the parties and no party may assign or delegate that party's rights or obligations under this agreement without first obtaining the express written consent of the other party. This Agreement shall be binding upon and shall inure to the benefit of all assigns, transferees and successors in the interest of the parties hereto.

D. Relationship of the Parties

It is understood and agreed that McLARENS is engaged to perform services under this Agreement as an independent contractor. The parties agree that neither party has any relationship with or contractual liability to the other with respect to the subject matter of this Agreement other than as set forth herein.

E. Term and Termination Provisions

1. This agreement shall take effect at 12:01 a.m. on January 1, 2000 and shall be effective until 12:00 a.m. on January 1, 2001, unless otherwise terminated as provided herein.

2. In the event of a material breach of this Agreement, the non-offending party may terminate this Agreement by providing written notice to the offending party.

3. Upon termination of this Agreement, UACIM may elect one of the following options:

   a. self-handle to a conclusion all claims and/or losses as well as associated services pending on the date of notification of termination of this contract. In such event, UACIM shall pay McLARENS the pro-rata portion of the fee provide for in this Agreement, for the period until termination; or

   b. have McLARENS handle and adjust to conclusion all run-off claims and/or losses pending on the date of termination of this contract at the previously agreed upon rate of remuneration. In such event, UACIM will maintain sufficient funds for the payment of indemnity as well as all allocated expenses in connection with the run-off claims.

F. Fees

1. McLARENS will handle all currently open, re-opened and new claims files for an annual fee of $.

2. McLARENS will forward invoices for fees to UACIM on a bi-monthly basis by mail. UACIM will pay undisputed invoices within 30 days receipt. UACIM shall notify McLARENS of any disputed invoice within 15 days of receipt.

3. If UACIM fails to pay invoices as described above, McLARENS may suspend claim service after reasonable notice, until such payments are made.

4. UACIM agrees that McLARENS shall not be liable for any fees, fines, assessments, judgments or penalties resulting from an interruption or cessation of the client's loss fund where such interruption or cessation is due to the errors, omissions or torts on the part of UACIM, its employees or agents.

G. Notices

All notices as provided herein shall be in writing, and shall be sent by certified mail, postage prepaid, with return receipt requested to the following address or to such other address as either party may hereafter furnish:

For Utah Association of Counties Insurance Mutual:

Brett Rich, Director/Legal Counsel
Utah Association of Counties Insurance Mutual
5397 South Vine Street
Salt Lake City, Utah 84107

For McLARENS Toplis, North America, Inc.:

Stephen L. Morsony
111 Pine Street, Suite 1500
San Francisco, CA 94111

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

By: _____

Title: _____

McLARENS TOPLIS, NORTH AMERICA, Inc.

By: _____

Title: _____