UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, January 22, 1999, 9:30 a.m.
Utah Association of Counties Offices

A G E N D A

9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of December 17, 1998 Minutes	Gary Herbert
	Conflict of Interest Forms	Dan McConkie
	Presentation of 1999 Reinsurance Agreements	Brett Rich
	Ratification of Actuarial Contracts	Brett Rich
	Review of Claims Administration Contracts	Brett Rich
	Claims Audit Request for Proposal (RFP)	Brett Rich
	Policy Regarding Hired Vehicles	Brett Rich
	Review of Special District Insurance Program	Brett Rich
	Broker Report	Rich Stokluska
	Fourth Quarter Brokerage Review	Brett Rich
	Director's Report	Brett Rich
11:30	Lunch	
	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	
	Summary of 1998 Financial Statements	Brett Rich
	Other Business	Gary Herbert
1:30	Adjourn	

5397 South Vine Street, Salt Lake City, UT 84107

UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UACIM BOARD OF TRUSTEES MEETING

MINUTES

January 22, 1999, 9:30 a.m.
Utah Association of Counties Offices

BOARD MEMBERS PRESENT	Jerry Hess, *Vice President*, Davis County Deputy Attorney Dannie McConkie, *Secretary-Treasurer*, Davis County Commissioner Royal Norman, Box Elder County Commissioner Tex Olsen, Sevier County Commissioner Sarah Ann Skanchy, Cache County Council Member Kent Sundberg, Utah County Deputy Attorney
BOARD MEMBERS ABSENT	Gary Herbert, *President*, Utah County Commissioner Tony Dearden, Millard County Commissioner Chad Johnson, Beaver 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 Rich Stokluska, GRMS Account Executive Doug Alexander, McLarens Toplis Claims Manager

CALL to ORDER

Gary Herbert requested that Jerry Hess conduct this meeting in his absence. Jerry called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Gary Herbert, Chad Johnson, Kent Petersen, Ed Phillips requested to be excused due to prior commitments. Sarah Ann Skanchy made a motion to excuse these Board Members from this meeting. Royal Norman seconded the motion, which passed unanimously. Tony Dearden had not contacted anyone regarding his absence.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held December 17, 1998 were previously sent to the Board Members for review. Sarah Ann Skanchy made a motion to approve the minutes as written. Royal Norman seconded the motion, which passed unanimously.

CONFLICT of INTEREST FORMS

Brett Rich explained that each Board Member must complete and sign the *Conflicts of Interest Affirmation and Disclosure* form pursuant to the Joint Policy Statement of the UAC Insurance Mutual Board of Trustees titled Conflict of Interest as revised on June 25, 1998 (see attachment #1). The Board Members in attendance completed and signed the form. Sonya White will mail the form to the Board Members absent.

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

PRESENTATION of 1999 REINSURANCE AGREEMENTS

Brett Rich explained that the Signet Star (liability) reinsurance agreement was approved at the last meeting but that two items were being negotiated—Y2K liability coverage and Nursing Home coverage. On the Board's behalf, Brett requested Y2K coverage with a sublimit of $1 million. Signet Star agreed to add this coverage July 1, 1999 for those members who complete a Y2K questionnaire affirming that steps have been taken to meet Y2K compliancy. The Insurance Department concurs with Signet Star that Y2K coverage should be excluded until the questionnaires are completed. This coverage will be included at no additional premium. On the Board's behalf, Brett negotiated the inclusion of Nursing Home coverage. Signet Star has agreed to include this coverage for an additional premium of $2500. Sarah Ann Skanchy made a motion to accept Signet Star's request to complete the required questionnaire for Y2K coverage to be added at a $1 million sublimit as of July 1, 1999 for those members affirming compliance and moved to accept the inclusion of Nursing Home coverage. Dan McConkie seconded the motion, which passed unanimously.

Brett reviewed the Reliance Insurance Company Certificate of Property Facultative Reinsurance with the Board Members (see attachment #2). In reviewing the document, the Board Members found several spelling and grammatical errors as well as structural errors. The Board directed Rich Stokluska and Brett to review the corrections and concerns and negotiate the changes with Reliance. The Board scheduled a telephonic conference for January 27 at 9:00 a.m. to review the corrected Certificate before approving payment of premium.

RATIFICATION of ACTUARIAL CONTRACT

Brett Rich explained that he revised the 1998 Actuarial Agreement with Taylor Walker & Associates. The revisions included the Agreement period and Section C1, *Obligations of UACIM* (see attachment #3). The revised Agreement was previously taken to Gary Herbert for review and signature, then agreed upon by Taylor Walker & Associates so they could begin their obligations. Tex Olsen made a motion to ratify the approval of the 1999 Actuarial Contract. Royal Norman seconded the motion, which passed unanimously.

REVIEW of CLAIMS ADMINISTRATION CONTRACTS

Brett Rich reviewed changes made to the 1998 McLarens Toplis Service Agreement. Changes were made to Sections 1E, 1J, 1K, 2A and 3A (see attachment #4). Royal Norman made a motion to approve the 1999 (one-year) Claims Administration Service Agreement with an 8% increase due to the costs incurred for the new Pyramid reporting system. Dan McConkie seconded the motion, which passed unanimously.

CLAIMS AUDIT REQUEST for PROPOSAL (RFP)

Brett Rich prepared a claims audit RFP for the Board Members to review (see attachment #5). The consultants, Warren McVeigh, recommended that a claims audit be performed. Brett anticipates the cost of the audit to be less than $10,000. Sarah Ann Skanchy made a motion authorizing Brett to advertise the request for proposal of a claims audit in the local paper and other business insurance publications. Tex Olsen seconded the motion, which passed unanimously.

POLICY REGARDING HIRED VEHICLES

Brett Rich reported that the issue of county sponsored programs using non-owned vehicles (vans, busses, etc.) has been addressed several times and recommended that the Board make a final coverage decision. UAC Insurance Mutual has been covering these programs for liability but auto physical damage is excluded if a non-county employee is driving the non-owned vehicle. Some members are now temporarily hiring a driver increasing the risk even more. The Brokers have requested quotes for separate coverage but only one company submitted a quote, which was $30,000. Members must realize that if a major accident were to occur causing several injuries/deaths, the maximum coverage under governmental immunity is only $500,000. Because the 1999 policy year has already started and some of these programs are in operation now, Tex Olsen made a motion to accept this risk for the 1999 policy period but exclude this coverage in year 2000. Royal Norman seconded the motion, which passed unanimously. The Board Directed Rich Stokluska to find outside coverage to offer to the counties, for a premium, to be available at that time.

REVIEW of SPECIAL DISTRICT INSURANCE PROGRAM

Brett Rich explained that last year the Board accepted a Special District program through Coregis Insurance Company to cover those Districts not covered under UAC Insurance Mutual. The experience with Coregis has been unacceptable. The Company is slow to quote, the rates have not been as competitive as were presented and the requests for quotes have been minimal. Rich Stokluska explained that Coregis is going through a major restructuring and Arthur Gallagher & Company is not been happy with the handling of this account. Dan McConkie made a motion to discontinue this program until a better Company can be found and/or the demand increases. Royal Norman seconded the motion, which passed unanimously.

BROKER REPORT

Rich Stokluska reported that clarification has been received from the reinsurance carrier as to how newly acquired properties will be handled. Newly acquired properties valued under $1 million do not need to be reported mid-term. If the property is between $1 million and $5 million it must be reported within 90 days at no additional premium. If the property is over $5 million it must be reported within 90 days and charged an additional premium at the property rate established for the Mutual (.019). The Board directed Brett Rich to notify the members.

FOURTH QUARTER BROKERAGE REVIEW

Brett Rich recommended that the Board Members approve the fourth quarter brokerage performance bonus for Arthur Gallagher & Company. Rich Stokluska and John Chino have put a lot of time into the reinsurance program, have attended all meetings and are complying with the performance standards. Tex Olsen made a motion approving the payment of the fourth quarter brokerage performance bonus. Sarah Ann Skanchy seconded the motion, which passed unanimously.

DIRECTOR'S REPORT

Brett Rich explained that new Audit Committee members need to be appointed since Ty Lewis and John Swasey are no longer on the Board of Trustees. The Audit Committee will need to meet for the claims audit review and the financial audit. Dan McConkie made a motion to appoint Sarah Ann Skanchy and Tex Olsen as Audit Committee members. Kent Sundberg seconded the motion, which passed unanimously.

Brett explained that the legislation exempting public agency insurance mutuals from Insurance Department regulation is making progress. Senator Al Mansell is sponsoring the legislation, which is in the process of being drafted. Brett is scheduled to meet with Neil Gooch, Deputy Commissioner at the Insurance Department on Tuesday, January 26 to get his input on the draft.

Brett reported that notice of the change in excess to reinsurance and from one carrier to another would be sent to the members. The UAC Insurance Mutual has an occurrence based form policy but claims-made coverage on public officials. Coverage ends with the coverage period on a claims-made form. It is imperative that all the members report any potential events likely to result in a public officials claim within 60-day so they can be reported to the reinsurance carrier. The members must also consider whether to purchase an extended reporting period from Great American.

SET DATE and TIME for CLOSED MEETING

Dan McConkie made a motion to set the date and time for a closed meeting to begin at 12:30 p.m. on January 22, 1999, to discuss pending or reasonably imminent litigation. Sarah Ann Skanchy seconded the motion, which passed unanimously.

Sarah Ann Skanchy made a motion to conclude the closed meeting at 12:50 p.m. on January 22, 1999. Tex Olsen seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing settlement on claim number 801DAV947057 up to an amount of $100,000 and support the Litigation Management Committee in writing a letter to Kathleen Brady, AIG Excess Casualty Claims Department, arguing against settlement at this time. Sarah Ann Skanchy seconded the motion, which passed unanimously.

Kent Sundberg made a motion authorizing settlement on claim number 801BOX955001 up to an amount of $50,000 on the condition that the County agrees to match this amount. Royal Norman seconded the motion, which passed unanimously.

SUMMARY of 1998 FINANCIAL STATEMENTS

Brett Rich reviewed the financial statements for the month ending December 1998. On page three, *Statutory Statement of Admitted Assets* the total surplus for the year ending 1998 is $2,919,999. This amount will be adjusted when the actuarial opinion is received—1995 and 1996 losses will likely be revised. Page 12, *Budget to Actual* shows the actual being greater than budgeted because the premium from two new members went right into surplus making the Mutual's net income $266,209. Page 15, *Inception to Date* shows the total paid and total incurred losses confirming our discussions relating to the increase in 1998 losses over previous years.

Tex Olsen recommended that the Board adopt a policy to repay the debentures such as 50% of the 1999 accrued surplus and 50% of the 2000 accrued surplus. Brett recommended that the Board wait until March when the annual statement is completed to adopt a policy.

OTHER BUSINESS

The Board directed Brett Rich to investigate other financial institutions that will not charge a monthly fee to the UAC Insurance Mutual account.

The Board directed Brett Rich to formalize an alternative plan for claims administration services.

Brett Rich reported that Tooele County did not accept the Mutual's proposal for membership but decided to stay with their current carrier who lowered their premium by $50,000.

The next meeting of the Board of Trustees will be held on Friday, February 26, 1999 at 9:30 a.m. at the UAC offices.

Approved on February 26, 1999

Dannie R. McConkie, *UACIM Secretary-Treasurer*
Davis County Commissioner

JOINT POLICY
CONFLICT OF INTEREST

The Mutual recognizes that the various members of the Board of Trustees and the Director for the Multi-line Mutual bring to the Mutual a number of perspectives and interests that are created by the nature of the elective and appointive offices which they hold in their respective counties. The Mutual recognizes that the members of the Board of Trustees and the Director, accordingly, need a benchmark, criterion or standard against which to balance the competing interest they represent.

This policy is an attempt on behalf of the Mutual to provide guidelines to the members of the Board of Trustees and the Director regarding conflict of interest. It is the intention of the Joint Policy Committee that this policy would mesh with the Joint Policy on Board Member and Director Responsibility and would provide practical guidance to Board Members and the Director in fulfilling their responsibilities as Board Members or Director.

1. Board Members and the Director shall not request, receive, or accept a gift or loan for themselves or another if:
   a. it tends to influence the Board Members or the Director in the discharge of his or her official acts as a Board Member or Director; or
   b. she/he, within two years, has been involved in any official act directly affecting the donor or lender or knows that he/she will be involved in any official act directly affecting the donor or lender in connection with his or her membership on the Board or as the Director.

2. The prohibition set forth in Section 1 above shall not apply to:
   a. an occasional nonpecuniary gift, insignificant in value;
   b. an award publicly presented in recognition of public service;
   c. a commercially reasonable loan made in the ordinary course of business by an institution authorized by the laws of the state to engage in the business of making loans; or
   d. a political campaign contribution, provided that such gift or loan is actually used in a political campaign and is subject to Utah law regarding such gifts or loans.

3. Board Members shall disqualify themselves from participating in any official action of the Board that affects a business in which that Board Member has a financial interest as defined in Sections 67-16-8 and 67-16-9 Utah Code Annotated 1953 as amended.

4. Board Members shall not acquire a financial interest at a time when they believe or have reason to believe that it will be directly affected by their official action on the Board.

5. Board Members and the Director shall not use or divulge to any person confidential information acquired by virtue of their membership on, or participation with, the Board for their or another's private gain. Confidential information for the purpose of this paragraph shall be defined as all information disclosed or discussed in any executive session of the Board and any information disclosed or discussed in any meeting of the Board which is confidential under law, statute or practice and which is otherwise not available to the public.

6. The Director of the Mutual and each Board Member shall complete a disclosure form provided by the Mutual at the first meeting of the Board during each fund year. That completed form shall affirm the persons awareness of this policy statement and either state that no described conflicts exist, or make all required disclosures.

7. The information on the disclosures, except for the valuations attributed to the reported interests, shall be made available by the Secretary of the Board for inspection by any Mutual member county representative. The valuation shall be confidential for all purposes except for proceedings for violation of the disclosure requirement of this policy.

Revised 6/25/98

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

CONFLICTS OF INTEREST
AFFIRMATION AND DISCLOSURE

This Affirmation and Disclosure is provided pursuant to the Joint Policy Statement of the Utah Association of Counties Insurance Mutual Board of Trustees titled Conflict of Interest, as revised on June 25, 1998.

I, _____, hereby affirm that I have received and reviewed a copy of the Joint Policy Statement regarding conflict of interest described above and, in compliance with item 6 thereof, declare the following:

☐ I comply with the conflict of interest policy referenced above without exception.

☐ I comply with the conflict of interest policy referenced above with the following exceptions:

Name, address and nature of business(s) or interest(s) involved:

_____
_____
_____

Your title with the business or interest: _____

A brief, but complete, description of the incident, activity or event requiring disclosure:

_____
_____
_____
_____

The precise nature and value of any change of interest since the last disclosure, if any:

_____
_____
_____

_____ _____
Signature Date

Subscribed and sworn to before me this ____ day of _____, 1999.

_____
Notary

My Commission Expires: _____

Residing at: _____

Reliance
COMMERCIAL DIVISION

Reinsurance Certificate Number
QB 8585096

RELIANCE INSURANCE COMPANY
CERTIFICATE OF PROPERTY FACULTATIVE REINSURANCE

In consideration of the timely payment of the premium and in reliance on the warranties and subject to the general conditions set forth on the page 2 of this document and the limits of liability set forth herein, the Reinsurer does hereby reinsure:

Reinsured Company			
Utah Association of Counties Insurance Mutual **5397 South Vine Street** **Salt Lake City, Utah, 84107**			
Effective Date	Expiration Date	Total Reinsurance Premium	Total Insurable Values
January 01, 1999	**January 01, 2000**	**$122,178.**	**$602,774,687.**
Insured			
Utah Association of Counties			
Location			
Per schedule on file with Reliance Insurance Company			
Perils and Coverage			
Direct physical loss or damage caused by all risks including Flood and Earthquake covering Real and Personal Property, Extra Expense, Accounts Receivable, Electronic Data Processing Equipment, Electronic Data Processing Extra Expense, Valuable Papers, Transit, and Contractors Equipment subject to sublimits stated on the policy.			
Policy Limits			
$100,000,000. per occurrence subject to sublimits stated on the policy.			
Reinsurance Accepted			
$100,000,000. per occurrence excess of $150,000. plus any deductible amount or self-insured retention.			
Company Retention			
$150,000. plus any deductible amount or self-insured retention.			
Special Provisions/Warranties			
See attached.			
Specific Exclusions/Reinsurance			
Exclusion of Certain Computer-Related Losses (Y2K exclusion)			

Countersigned by: Daniel W. Phelps
Daniel W. Phelps — Authorized Representative

General Property Conditions

In consideration of the timely payment of the premium, and subject to the terms, conditions and limits set forth in this Certificate, Reinsurer does hereby reinsure the company named in the Declarations ("Company) in respect of Company's policy identified in the Declarations as follows:

A. Coverage. As set forth herein, Reinsurer shall indemnify Company for the amount of loss which the Company has paid under Company's policy reinsured by the certificate ("policy reinsured"). If this reinsurance is designated in the Declarations as Excess of Loss than Reinsurer's obligation to indemnify shall, subject to Reinsurer's limits designated in the Declarations, be excess of the attachment amount of loss stated in the Declarations. If this reinsurance is designated in the Declarations as pro rata, Reinsurer's obligation to indemnify shall, subject to the limits designated in this Declarations, be for its pro rata proportionate share of the loss as indicated in the Declarations. The obligation of Reinsurer to indemnify Company, as specified in this Certificate, shall follow the loss of Company as incurred under the coverage terms, conditions, and limits of Company's policy reinsured except as otherwise specifically provided for in the Special Provisions section of the Declarations or in a an endorsement attached to this certificate.

B. Loss Expense. In addition to its obligation to indemnify Company for loss, Reinsurer shall be liable for its proportionate share of allocated loss expense incurred by the Company under the policy reinsured in the same ratio that Reinsurer's share of that loss bears to the total amount of that loss under the policy reinsured. If no loss was incurred and this reinsure is pro rata, then Reinsurer will pay its pro rata proportion of the allocated loss expense incurred with respect to the alleged loss. The term "allocated loss expense" means all costs and expenses allocable to a specific claim that are incurred by Company in the investigation, appraisal, adjustment, defense, appeal and settlement of claims or suits, including a proportionate amount of the salaries and travel expenses of company employed staff adjusters temporarily assigned to the filed adjustment of the loss but excluding all other Company salaries and expenses. All expenses incurred by Company in regard to any alleged or actual liability beyond the coverage terms, conditions and limits of the policy reinsured shall not be covered under this certificate.

C. Salvage. Reinsurer will be paid or credited by Company with its proportionate share of salvage or subrogation, that is, reimbursement obtained or recovery made by Company, less all expenses paid by Company in making that recovery. If the reinsurance afforded by this Certificate is on an excess of loss basis, salvage and subrogation shall be applied in the inverse order in which the loss attached.

D. Term. Reinsurer's coverage period under this Certificate shall be specified at 12:01 A. M. as to both dates as specified in the Declarations.

E. Copy of Policy. Company shall furnish Reinsurer within sixty (60) days of attachment of coverage with a full copy of the policy reinsured and all endorsements thereto ("closings"). Company shall also timely notify Reinsurer in writing of all policy changes or changes in risk or hazard which in any manner may affect this reinsurance.

F. Notice of Loss. As a condition precedent to coverage under this Certificate, Company shall promptly advise Reinsurer of Company's receipt of any claim, and of any subsequent development pertaining thereto, which may involve this Certificate. The Company has the obligation to investigate and defend against claims or suits affecting this reinsurance and to pursue those claims or suits to final determination. Reinsurer has no obligation to investigate or defend claims or suits, nevertheless, Company, when so requested, will afford Reinsurer an opportunity to be associated with Company at the expense of Reinsurer, in the defense or control of any claim, suit proceeding involving this reinsurance and Company and Reinsurer shall cooperate in every respect in the defense and control of such claim, suit or proceeding.

G. Cooperation of Company. Company shall make available for inspection, and place at the disposal of Reinsurer at all reasonable times, all records of Company relating to this Certificate or claims in connection therewith, Company shall cooperate with Reinsurer in the adjustment and settlement of all losses.

H. Proof of Loss. Company shall furnish Reinsurer proof of loss satisfactory to Reinsurer that payment of loss and allocated loss expense under the coverage terms, conditions and limits of the policy reinsured has actually been made by company. Payment by Reinsurer of its proportionate share thereof shall be made promptly thereafter, which in no event shall exceed thirty (30) days.

I. No Third Party Benefits. In no event shall anyone other than Company or, in the event of Company's insolvency, its receiver, liquidator, or statutory successor, have any rights under this certificate.

J. Insolvency. In the event of the Insolvency of Company, the reinsurance provided by this certificate shall be payable by Reinsurer on the basis of the liability of the Company under the policy reinsured as allowed in the insolvency proceeding, without diminution because of such Insolvency, directly to Company or its receiver, liquidator, or statutory successor. Reinsurer shall be given written notice of the pendancy of each claim against Company on the policy reinsured with a reasonable time after such claim is file. Reinsurer shall have the right to Investigate each such claim and Interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense which it may deem available to Company or its receiver, liquidator, or statutory successor. The expense thus Incurred by Reinsurer shall be chargeable, subject to court approval, against Company as part of the expense of liquidation to the extend of a proportionate share of the benefit which may accrue to Company solely as the result of the defense undertaken by Reinsurer.

K. Taxes. Company will be responsible for all taxes on premiums payable to Reinsurer under this certificate.

L. Offset. Reinsurer may offset any balance(s), whether on account of premiums, commissions, claims, losses, adjustment expense, salvage or any other amount(s) due from one party to the other under this Certificate or under any other agreement heretofore or hereafter entered into between Company and Reinsurer, whether as assuming reinsurer, as ceding company, or otherwise.

M. Cancellation. Should Company's policy reinsured be cancelled, this Certificate shall terminate automatically at the same time and date. This Certificate may also be cancelled for any reason by Company or Reinsurer upon not less than thirty (30) days prior written notice, one to the other, stating when thereafter this reinsurance shall terminate. This Certificate may be cancelled by Reinsurer upon ten (10) days notice to the Company for non-payment of premium of failure to timely deliver closings to Company. Proof of mailing shall be deemed proof of notice. Calculation of the earned premium shall follow Company's calculation in the use of short rate or pro rata tables. Cancellation will be effective even if Reinsurer has not made or offered a refund of the unearned premium with the cancellation notice.

N. Endorsements. The terms of this Certificate shall not be waived or changed except as set forth in the Special Provisions Section of the Declarations or by endorsement issued to form a part hereof, executed by a duly authorized representative of Reinsurer.

O. Accounts. Unless otherwise stated in the Declarations, premium due under this Certificate shall terminate be due to be received at Reinsurer's home office not later than thirty (30) days from the date of Reinsurer's billing. Company will return ceding commission on any return premiums at the same rate as originally retained.

P. Warranties. Company warrants to retain for its own account subject to any applicable treaty or facultative reinsurance declared in writing to Reinsurer, whether collectible or not, the amount of loss specified in the Declarations. Non-compliance by Company with any warranty set forth in the Retention or Special Conditions sections of the Declarations shall void all coverage under this Certificate.

Q. Governing Law. The Certificate shall be governed by the laws of New York exclusive of its rules with respect to conflicts law.

R. Arbitration Clause. As a condition precedent to any right of action under this Certificate, all dispute arising out of or related to this Certificate, whether sounding in tort or contract, and whether arising during or after termination of this Certificate shall be submitted to the decision of a board of arbitration composed of two arbitrators and an umpire, meeting in Philadelphia, Pennsylvania. the members of the board of arbitration shall be active or retired disinterested officials of Insurance or reinsurance companies or attorneys familiar with reinsurance. Each party shall appoint it arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. In the even either party should fail to choose an arbitrator within thirty (30) days following a written request by the other party to enter upon arbitration, the requesting party may choose two arbitrators who shall in turn choose an umpire before entering upon arbitration. In the event the two arbitrators fail to agree on an umpire either party shall have the right to submit the matter to the American Arbitration Association to name an umpire with the required qualifications.

Each party shall present its case to the board of arbitrators within sixty (60) says following the umpire's appointment. The Board shall make its decision with regard to this Certificate and the custom usage of the Insurance and reinsurance business. The board shall issue its decision based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross examination and rebuttal shall be allowed. The board shall make its decision within sixty (60) days following the termination of the hearings unless the parties consent to an extension. The majority decision of the boards shall be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the board in any court having jurisdiction thereof. The board may award interest (8% per annum) but may not award punitive, exemplary or treble damages. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceeding shall be allocated by the board.

S. Intermediary. The intermediary identified in the Declarations, if any, recognized as the Intermediary negotiating this Certificate. All communications relating thereto will be transmitted to Company or Reinsurer through the Intermediary's office identified in the Declarations. Payments by the Company to the Intermediary will be deemed to constitute payment to Reinsurer. Payments by Reinsurer to the Intermediary will be deemed only to constitute payment to Company to the extent that such payments are actually received by Company.

T. This Certificate shall not be binding upon Reinsurer unless countersigned by an authorized representative of Reinsurer.

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, 1999:

   a. "Consolidated Coverage Loss and Claims Experience" reports as of 12/31/98, 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, and
      1/1/98 – 12/31/98

   b. Individual large loss listing (above $25,000) as of 12/31/98.

   c. Copy of UACIM Annual Statement for the period ending 12/31/97.

   d. Copy of Unit Loss Summary report as of 12/31/98 for each claim period.

   e. Copy of Open/Closed Case Register report as of 12/31/98.

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

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 $7,000.00. 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

McLARENS TOPLIS
North America, Inc.

Adjusters and Surveyors

7840 Madison Avenue, Suite 185
Fair Oaks, California 95628
Tel 916-863-2570 • Fax 916-863-2572

McLARENS TOPLIS NORTH AMERICA, INC.
SERVICE AGREEMENT

Client: UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

Contract No.: 03 Contract Period: 01/1/99 - 12/31/01

This Agreement is made and entered into this ____ day of _____, 1999, between McLarens Toplis North America, Inc. hereinafter referred to as "McLarens Toplis" and Utah Association of Counties Insurance Mutual, hereinafter known as the "client."

McLarens Toplis and the client mutually agree that McLarens Toplis will provide claims management services in North America to the client according to the following terms and conditions:

Section I

McLarens Toplis Claims Management Responsibilities to the Client Are:

1A.) 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.

1B.) Adjust to conclusion, to the extent deemed necessary by McLarens Toplis, all reported claims and/or losses. 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 Toplis Claims Administrator. The Claims Administrator will monitor the overall claims operation and will assist the Claims Manager in the handling of large, complex claims and/or the coverage resolutions; and will make regular visits to the dedicated Claims Unit for the purposes of auditing the claims function; as well as personally being involved in the handling and adjustment of complex and/or large litigated claims; and/or attend Board or Litigation Management Committee meetings as deemed necessary.

1C.) Determine what payment, if any, should be made on the client's behalf based upon McLarens Toplis' investigation and applicable law. McLarens Toplis will secure the client's approval before offering any settlement which exceeds its Discretionary Settlement Authority Limit.

1D.) 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 Toplis on the client's behalf as a result of its engaging the service of firms or persons outside McLarens Toplis' organization for work in connection with investigation, adjustment, settlement, or legal defense, as well as McLarens Toplis' service fees pursuant to Sections IB and IC.

1E.) McLarens Toplis must notify the client when total paid expense on any one claim exceeds $25,000.

1F.) 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 Toplis' receipt of reasonable notice.

1G.) Furnish the client with statistical or loss experience reports concerning claim reserves, payments, and status, as agreed upon, in a Loss Run at an interval of every month, beginning January 31, 1999.

1H.) Inform the client of all significant developments in the course of McLarens Toplis' investigation through its Litigation Management Committee or Board meetings.

1I.) Notify client's reinsurer when the total reserves on any one claim equals or exceeds 50% of the client's SIR, and on cases involving fatal injuries; spinal cord injuries (paraplegia, quadriplegia), severe burns (fire, electrical, chemical, radiation); amputation of hand, arm or leg; severe eye injuries; total disability catastrophic property damage or multiple injuries and property damage, irrespective of the initial evaluation of liability or reserve level. Notification shall otherwise be subject to the requirements of client's insurance policies.

1J.) McLarens Toplis will furnish a monthly Check Register to the client showing disbursements of the claims fund described in Section 2B. In addition, McLarens Toplis will furnish copies of all checks over $10,000 written on the client's checking account prior to the release to the payee.

1K.) McLarens Toplis agrees to indemnify, defend and hold harmless the client and its officers, trustees, and employees from any third party claims or action (and resultant loss, damage, liability and expense, including attorney's fees) for bodily injury

and damage to tangible property to the extent caused directly and proximately by the negligence or willful misconduct of McLarens Toplis, or its employees, agents or servants in the course of providing services hereunder. Client will give McLarens Toplis prompt notice of any such claims and McLarens Toplis will control the defense or settlement thereof.

Section 2

Client's Obligations to McLarens Toplis Are:

2A.) Prompt referral of all claims or losses that fall within the terms of this Agreement, within a reasonable time under the circumstances.

2B.) Pay McLarens Toplis its service fees, and ligitimate file adjusting expenses, in conformity with the terms of this agreement.

2C.) Provide McLarens Toplis discretionary settlement authority in the amount of $25,000.

2D.) On those losses exceeding the Discretionary Settlement Authority, client agrees to respond in an expeditious manner to McLarens Toplis' request for authority.

2E.) In the event McLarens Toplis, acting at the direction of the client, becomes liable to any third party or parties, the client agrees to indemnify, defend and hold McLarens Toplis and/or its employees harmless.

Section 3

McLarens Toplis and the Client Mutually Agree as Follows:

3A.) The contract can be terminated by either party for a material breach. This Agreement will automatically be renewed for an additional annual period commencing on the day following the stated expiration date. This automatic renewal provision will incorporate the same terms and conditions of this Agreement, except for those terms which shall be agreed upon with respect to McLarens Toplis remuneration.

3B.) The client shall have the option upon termination of this contract:

1.) To self-handle to a conclusion all *claims and/or loses* as well as associated services pending on the date of notification of termination of this contract, such handling not to result in any expense or reduction in contract revenue to McLarens Toplis during the remaining term of the contract.

2.) To have McLarens Toplis 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 to rate of remuneration. Moreover, the client will maintain sufficient funds for the payment of indemnity as well as all allocated expenses in connection with the run-off claims.

Section 4

McLarens Toplis Fee:

4A.) McLarens Toplis Service Invoices will be forwarded to client on a quarterly basis by mail. Client will review same and send back to McLarens Toplis with approval signature within 30 days of the client's receipt of invoice. Should a dispute arise over McLarens Toplis' service fees, client will notify and resolve dispute directly with McLarens Toplis within 15 days of the client's receipt of invoice.

4B.) Remuneration:

McLarens Toplis will handle all currently open, re-opened, and new claims files for an annual fee of $___,___ during the period beginning January 1, 1999, and ending December 31, 2001. ***In addition, UACIM will pay McLarens Toplis an amount equal to the amount of rent which McLarens Toplis shall pay to Utah Association of Counties in excess of the rent paid during the original term of the Agreement.***

4C.) If the client fails to pay Service Fees to McLarens Toplis, McLarens Toplis may suspend claim service until such payments are made. Such suspension of claim service will not take place unless the client has been given reasonable notice of its indebtedness and of McLarens Toplis' intention to suspend service.

4D.) Client agrees that McLarens Toplis will 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 client or its employees or agents.

_____	_____
Utah Assoc. of Counties Insurance Mutual	McLarens Toplis North America, Inc.

REQUEST FOR PROPOSALS

I. PROFILE

Utah Association of Counties Insurance Mutual (UACIM) is requesting proposals for the provision of claims audit services. UACIM is a public agency insurance mutual operating for participating counties and under the laws of the State of Utah since January 1, 1992.

The information provided in this proposal should be used only for preparing a written proposal to conduct a claims audit for UACIM. Participation in this selection process constitutes the firm's agreement that all information provided by UACIM in this proposal will be maintained on a confidential basis and will not be distributed to any third party.

UACIM currently provides property and casualty insurance for each of the 24 member counties on a first dollar basis. The average claim count is 264. Since its inception, the Mutual has contracted with a third party for claims administration. From 1992 through 1996 Aon Risk Management Services served as the claims administrator, as well as the broker. In January of 1997 the Mutual contracted with McLarens-Toplis North America, Inc. for claims administration.

Both contracts provided that the administrator maintain a dedicated claims unit in the offices of the Mutual. The same person hired as the claims manager by Aon in 1992 is still serving in that capacity as an employee of McLarens-Toplis. The company also employs an assistant who adjusts some claims and performs clerical functions.

II. SERVICES

UACIM requests that the proposed claims audit cover the years 1995, 1996, 1997 and 1998. The claims auditor shall issue a written report to UACIM, fully addressing the following for each period:

A. Timeliness and efficiency of claims handling, including mail handling, file set-up, diary, and paper flow.

B. Adequacy of communication with UACIM, its members and the claimants.

C. Reasonableness of claims reserving practices, subrogations and settlements.

D. Accuracy of loss experience reports as they reflect case reserves and payments.

E. Adequacy and quality of claims policies and procedures.

F. Whether sufficient staff is assigned to adjust claims and whether that staff devoted sufficient time to ensure that the claims are properly adjusted.

G. Litigation Management.

III. SELECTION PROCESS

The UACIM Board of Trustees will make a preliminary selection of service providers based on written proposal and related information at a predetermined date. Please provide, in detail, the following information to be considered by the UACIM Board.

A. Describe your firm, including the number of employees and location of offices. Identify the office location which would be serving UACIM and the number of employees in that office.

B. Describe by name the staff that will be assigned to conduct the claims audit for UACIM.

C. Describe the procedures and methods to be employed in completing the claims audit and the estimated amount of time required.

D. Supply a list of recent insurance companies, governmental pools, or local governments claims audits performed by your organization. Include a list of at least three references of clients who may be contacted concerning your services.

E. Describe the activities that you will expect the UACIM staff and the McLarens-Toplis staff to engage in to assist you in completing the claims audit and provide an estimate of the amount of time that will be required to complete them.

F. The proposal should contain a quotation of fees for the claims audit and written report, and include an allocation of time for consultation.

IV. TIME LINE

February 22, 1999	Deadline for Receiving Written Proposals
March 1, 1999	Final Decision
April 12, 1999	Completion of Audit and Report

V. SELECTION CRITERIA

The selection criteria used to evaluate the proposals follow:

A. Competency of personnel assigned to the audit.

B. Ability to provide responsive service in terms of personnel, location or technical expertise.

C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools.

E. Ability to anticipate client's needs and initiate discussions to address needs.

F. Fees.

VI. RIGHTS RESERVE WITH RESPECT TO AWARD

Upon evaluation of the proposals, UACIM may meet with one or more of the proposers as necessary to reach a mutual and complete understanding of the services to be provided prior to the award. UACIM reserves the right to restate and/or renegotiate with the firm such additions, deletions, changes or clarifications of the provisions of the contract as may be necessitated by law or changed circumstances.

VII. REJECTION OF PROPOSALS

UACIM reserves the right to reject any and all proposals received and response to this RFP. Non acceptance of any proposal will not imply any criticism that the proposal or proposed system was deficient.

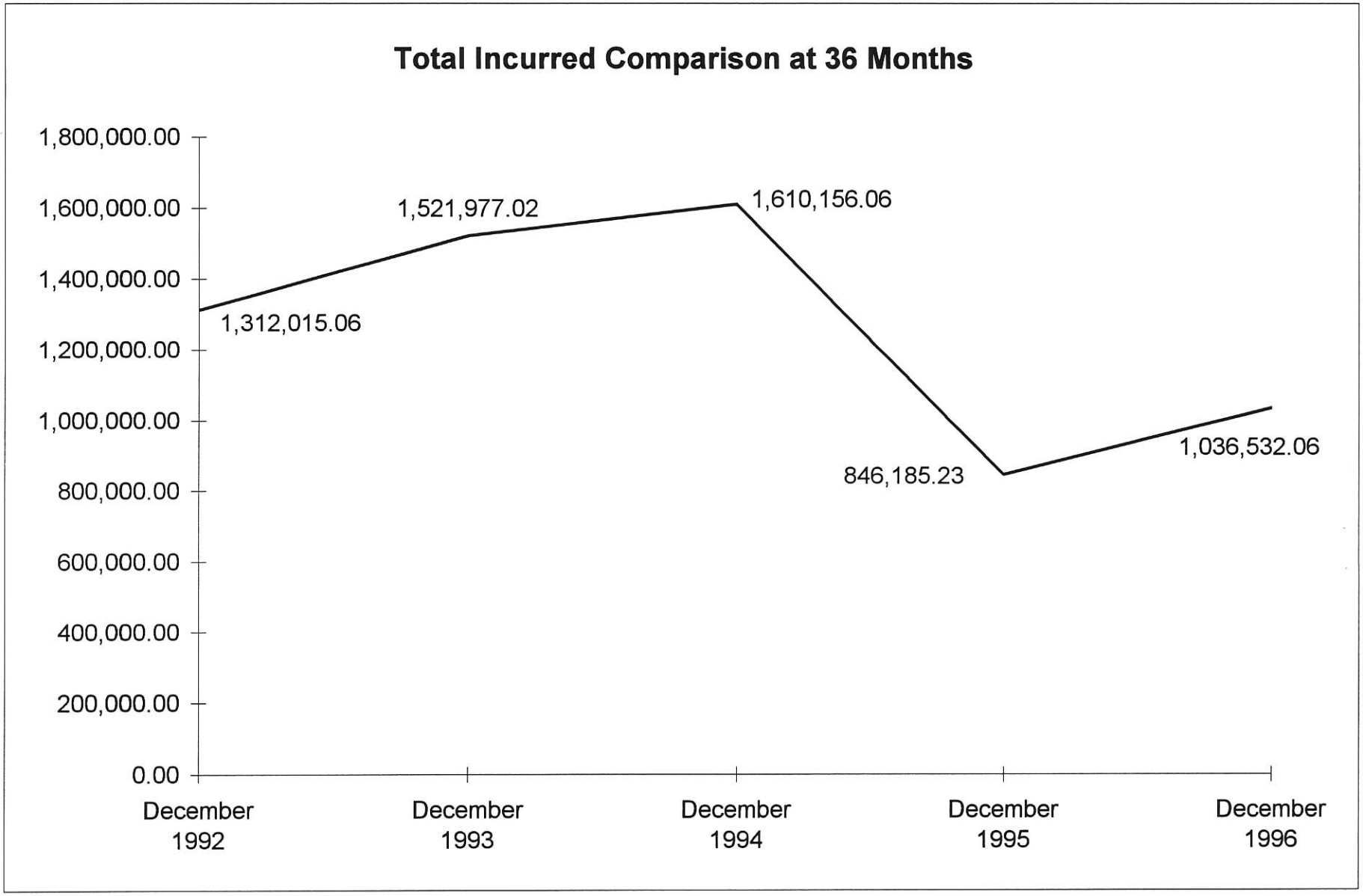
VIII. CONTACT

Please direct all questions and correspondence to:

Mr. Brett Rich, J.D.
Director, UACIM
5397 South Vine Street
Salt Lake City, Utah 84107

Phone # 801-265-1331
Fax # 801-265-9485

UAC Insurance Mutual



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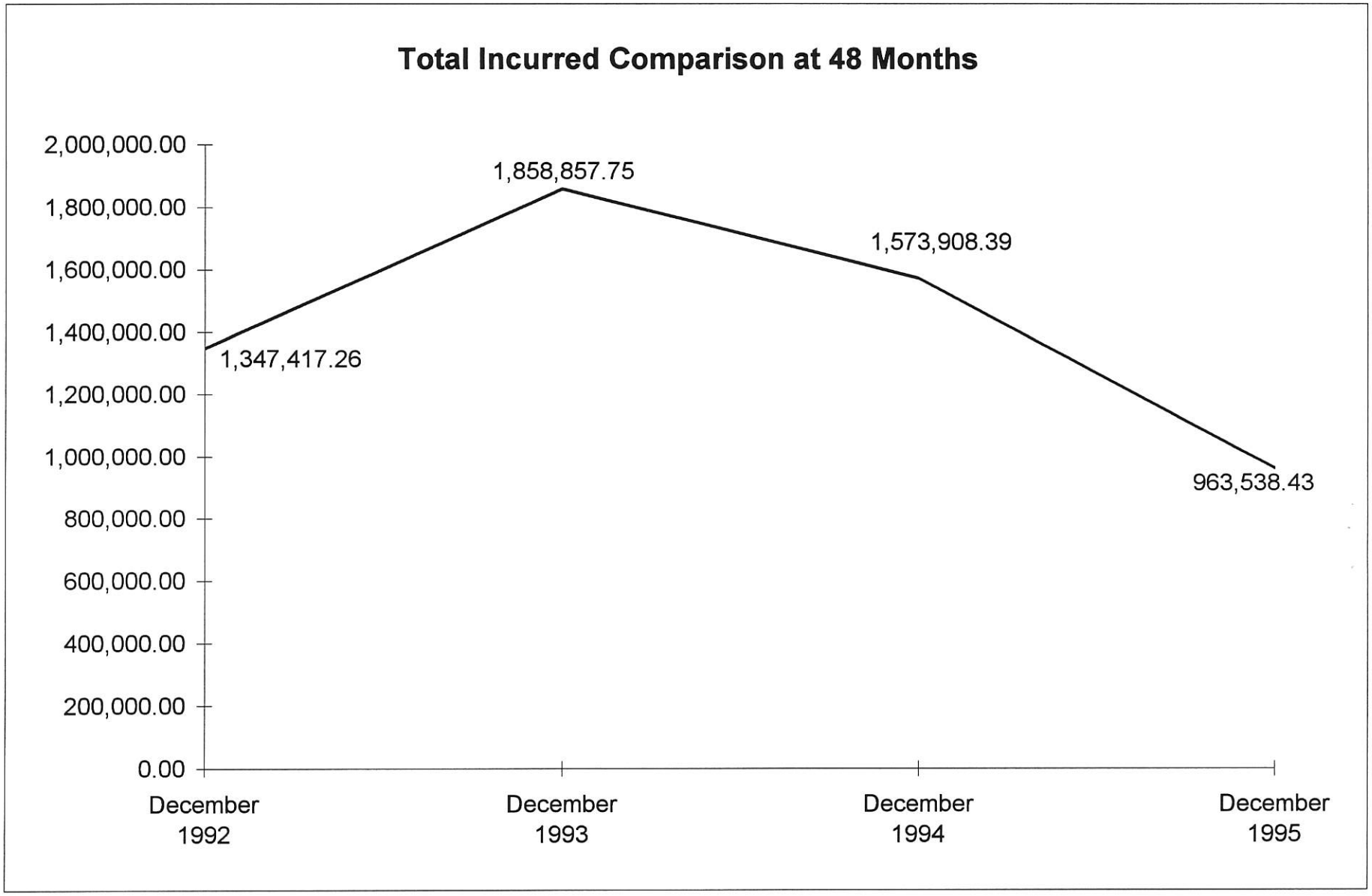
UAC Insurance Mutual



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