Article I. Commission Purpose, Function and Bylaws.

Section 1. Purpose.
Pursuant to the terms of the Surplus Lines Insurance Multi-State Compliance Compact (the “Compact”), the Surplus Lines Insurance Multi-State Compliance Compact Commission (the “Commission”) is established to fulfill the Compact’s objectives, through a means of joint cooperative action among the compacting states:

A. To implement the express provisions of the Nonadmitted and Reinsurance Reform Act (the “NRRA”);

B. To protect the Premium Tax revenues of the Compacting States through facilitating the payment and collection of Premium Tax on Non-Admitted Insurance; and to protect the interests of the Compacting States by supporting the continued availability of such insurance to consumers; and to provide for allocation of Premium Tax for Non-Admitted Insurance of Multi-State Risks among the States in accordance with uniform Allocation Formulas to be developed, adopted, and implemented by the Commission;

C. To streamline and improve the efficiency of the surplus lines market by eliminating duplicative and inconsistent tax and regulatory requirements among the States; and promote and protect the interest of Surplus Lines Licensees who assist such insureds and Surplus Lines Insurers, thereby ensuring the continued availability of Surplus Lines Insurance to consumers;

D. To streamline regulatory compliance with respect to Non-Admitted Insurance placements by providing for exclusive single-state regulatory compliance for Non-Admitted Insurance of Multi-State Risks, in accordance with Rules to be adopted by the Commission, thereby providing certainty regarding such compliance to all persons who have an interest in such transactions, including but not limited to insureds, regulators, Surplus Lines Licensees, other insurance producers, and Surplus Lines Insurers;

E. To establish a Clearinghouse for receipt and dissemination of Premium Tax and Clearinghouse Transaction Data related to Non-Admitted Insurance of Multi-State Risks, in accordance with Rules to be adopted by the Commission;

F. To improve coordination of regulatory resources and expertise between State insurance departments and other State agencies, as well as State surplus lines stamping offices, with respect to Non-Admitted Insurance;

G. To adopt uniform Rules to provide for Premium Tax payment, reporting, allocation, data collection and dissemination for Non-Admitted Insurance of Multi-State Risks and Single-State Risks, in accordance with Rules to be adopted by the Commission, thereby promoting the overall efficiency of the Non-Admitted Insurance market;

H. To adopt uniform mandatory Rules with respect to regulatory compliance requirements for: (i) foreign Insurer Eligibility Requirements; (ii) surplus lines Policyholder Notices;

I. To coordinate reporting of Clearinghouse Transaction Data on Non-Admitted Insurance of Multi-State Risks among Compacting States and Contracting States.

Section 2. Functions.
The Commission shall perform those functions that are consistent with the purposes of, and the powers set forth in, the Compact, including, but not limited to, those powers specified in Article III, Sections 1, 2, and 3 and Articles IV and V of the Compact.
Section 3. Bylaws.
Pursuant to the Compact, these bylaws govern the Commission’s management and operations. As adopted and subsequently amended, these bylaws shall remain at all times subject to, and limited by, the Compact’s terms. The Commission shall publish these bylaws in a convenient form and file a copy thereof and a copy of any amendments thereto, with the appropriate agency or officer in each of the compacting states. The Commission shall also provide a copy of these bylaws, and any amendments thereto, to the state insurance department and state legislature of each Compacting State and post them to the Commission’s website. Notwithstanding any other provision of these bylaws, a rulemaking process may be adopted upon: 1) recommendation to the Commission by a majority vote of the Executive Committee, provided that at least thirty days prior to such recommendation, each member and the public was afforded the opportunity to comment on the proposed rulemaking process; and 2) approval by majority vote of all Commission members, following consideration of any comments received.

Section 4. Definitions.
The definitions contained in Article II of the Compact are incorporated by reference in these bylaws. The term “trade secret” shall have the meaning provided in a rule adopted by the Commission regarding public access to information and documentation, as such rule may be amended from time to time.

Article II. Membership.
Pursuant to the Compact, each compacting state shall have and be limited to one Commission member. A member shall be a person qualified and selected to serve in that capacity according to the compacting state’s laws. In the absence of such a provision the member shall be appointed by the governor of such compacting state. Each compacting state shall forward the name of its member to the Commission chair. A member may designate a person or persons to serve in place of the member as the member’s designee with respect to Commission business, including attending Commission meetings, voting, and serving on one or more Commission committees, provided that the member’s designee shall not have an affiliation, through employment or independent contract, with any other member of the Commission or member of the Legislative Committee or advisory committees. A member must deliver a written notice identifying his or her designee to the secretary of the Commission or the Chair of any committee on or before the time of a meeting or Commission action for which the member’s designee shall be authorized to act in the capacity of the member. A member may cast only one vote on any matter, and only on behalf of the compacting state he or she represents.

Article III. Executive Committee.
Section 1. Composition of Executive Committee.
The Commission shall establish an Executive Committee, consisting of Commission members, which shall be empowered to act on the Commission’s behalf. The Executive Committee shall serve without compensation or remuneration, except as these bylaws otherwise provide. The Executive Committee’s power to act on the Commission’s behalf is at all times subject to any limitations imposed by the Commission, the Compact or these bylaws.

A. The Executive Committee shall consist of not more than fifteen (15) members. For the initial term, Executive Committee membership shall comprise up to the first 15 states that join the compact.

B. The Commission shall develop a process to determine Executive Committee membership for subsequent terms when Commission membership exceeds 15 states. Any such process shall provide for the election of Executive Committee members by a majority vote of the Commission, and shall also provide that each compacting state shall have an opportunity to be represented for the same number of terms on the Executive Committee before any other compacting state is represented for an additional term.

Section 2. Selection, Removal and Vacancy.
A. Selection of Executive Committee members shall take place at the annual meeting of the Commission in [MONTH] of each year. Nominations for candidates for the election of members of the Executive Committee shall be submitted in accordance with the process adopted by the Commission pursuant to Section 1B of this Article.
B. A member may be removed from the Executive Committee based on the following grounds: 1) failure to attend, either by person or designee, five (5) consecutive regular meetings of the Executive Committee; 2) the person serving as member is convicted of a felony, or its equivalent, under state or federal law; or 3) the person serving as member becomes physically or mentally incapacitated in a manner which prevents the full performance of duties as a member of the Executive Committee. If an Executive Committee member misses three (3) consecutive regular meetings of the Executive Committee, the secretary shall send a written notice to the member, with a copy to the governor of the compacting state and the compacting state’s state insurance department, notifying the member that missing five (5) meetings could subject the member to a vote of removal from the Executive Committee. The participation of a member who is subsequently removed does not affect the validity of any Executive Committee action before the effective date of removal. Removal of an Executive Committee member is effective upon recommendation of the Executive Committee for removal and a majority vote of the Commission, after the member has been given at least thirty (30) days notice of the proposed grounds for removal and been given an opportunity to address the Commission before the vote.

C. If, after the initial term, a vacancy occurs on the Executive Committee by death, resignation or removal of a member of the Executive Committee, the vacancy shall be filled in accordance with the process adopted by the Commission pursuant to Section 1B of this Article.

Section 3. Duties of Executive Committee.
The Executive Committee shall have authority to take the following actions:
A. Manage the affairs of the Commission in a manner consistent with these bylaws and the purposes of the Commission;
B. Establish and oversee an organizational structure and appropriate procedures for the Commission to create mandatory rules, enter into contracts with contracting states; and provide for administrative and technical support functions;
C. Submit mandatory rules to the Commission for adoption after approval by a majority of the Executive Committee;
D. Act on the Commission’s behalf during the interim between Commission meetings, except for rulemaking or amendment of the Compact;
E. Oversee the offices of the Commission;
F. Provide for the planning, implementation, and coordination of communications and activities with other state, federal, and local government organizations in order to advance the goals of the Commission;
G. Establish procedures for the nomination and election of officers of the Commission from the Executive Committee, with duties as set forth in these bylaws;
H. Subject to the approval of the Commission, appoint or retain an executive director for a period of time and amount of compensation as the Commission may deem appropriate;
I. Authorize the executive director to enter into contracts for goods and services;
J. Such other actions delegated to it by a majority vote of the members of the Commission;
K. Any action necessary and appropriate to carry out the foregoing and to effect the purposes of the Commission; and
L. Accept the determinations and recommendations of the Operations Committee unless good cause is shown why such determinations and recommendations should not be approved.

Section 4. Meetings of the Executive Committee.
A. A meeting of the Executive Committee means a prearranged gathering of the majority of the members of the Executive Committee for the purpose of discussing or taking action upon Executive Committee business. A meeting of the Executive Committee shall not include any of the following, provided that formal action of the Executive Committee is not taken and any discussion of Executive Committee business is incidental to them: (1) gatherings of members for social purposes; (2) meetings of a regional, state or national body other than the Executive Committee; or, (3) other public forums not convened solely by Executive Committee members. For purposes of this paragraph, a gathering may take place in-person or via telephone or electronic communication.

B. Meetings of the Executive Committee may be scheduled at the discretion of the officers or by vote of one-third (1/3) of Executive Committee members. Written notice of Executive Committee meetings shall be sent by electronic means, by mail or facsimile, to all Executive Committee members at least fifteen (15) days prior to the scheduled meetings. Upon a vote of two-thirds (2/3) of the members of the Executive Committee, the Executive Committee may call an emergency meeting if an unforeseen event or unexpected matter has arisen and there is a need for expedited action of the Executive Committee. The request for an emergency meeting may be sent electronically to all members of the Executive Committee, and the member may vote electronically, and such action shall not, of itself and without more, constitute a meeting of the Executive Committee. The Executive Committee shall provide a minimum of forty-eight (48) hours notice of an emergency meeting, wherever practicable, provided the notice is sent by electronic means or facsimile and a minimum of four (4) days notice if sent by mail. Attendance at a meeting by an Executive Committee member shall constitute the member’s waiver of any defective notice of the meeting, unless the member is in attendance at the meeting for the specific purpose of objecting to the notice. A majority of the members of the Executive Committee shall constitute a quorum for a meeting of the Executive Committee. Meetings of the Executive Committee shall be open to the public, except that by majority vote of the members attending a meeting at which a quorum is present, the Executive Committee may close all or part of any meeting of the Executive Committee to the public but only for the reasons provided in Article VII, Section 1C of these Bylaws. Members may participate in meetings by telephone or other means of telecommunication reasonably audible by all persons attending the meeting. If one or more members attend a meeting by telephone or other means of telecommunication, any vote put to the Executive Committee shall be taken by roll call of all members attending the meeting. The Executive Committee may take action in lieu of a meeting provided such action is taken pursuant to unanimous written consent, via regular or electronic mail, facsimile or other electronic means, of all members of the Executive Committee and if such action is taken, it shall be announced as soon as practicable to persons given notice of a Executive Committee meeting and posted to the Commission’s website.

Article IV. Officers.
Section 1. Election, Succession and Removal.
The Commission’s officers shall consist of a chair, vice chair, and treasurer. The officers shall be selected by the Commission members from membership of the Executive Committee. Officers shall serve for one year, until the next annual meeting of the Commission, or until the Commission elects their successors, whichever is earliest to occur. They shall serve without compensation or remuneration, except as these bylaws otherwise provide. The Commission may, by a majority vote of the entire membership, remove an officer prior to the expiration of the officer’s tenure. An officer may resign by giving written notice to the secretary or Chair of the Executive Committee. In the event of a vacancy in an office, the chair shall appoint a member to fill the vacant office, and that person shall hold the vacated office for the unexpired term of his or her predecessor. In the event of a concurrent vacancy of at least two officers, the Commission shall hold an emergency meeting no later than ten days after the second vacant officer position occurs, if practicable, in order to elect officers to fill the vacant offices. The remaining officer shall perform the duties of the vacant officer positions until an election and shall call the emergency meeting, in accordance with Article VII 1D of these Bylaws, except a 2/3 vote of the Commission members to hold an emergency meeting shall not be required. In the event all officer positions are vacant, the compacting state with the
largest share of premium volume for the products covered by the Compact shall perform these duties, including calling the emergency meeting, as provided herein. The newly elected officers shall hold the vacated office for the unexpired term of his or her predecessor.

Section 2. Duties.
The officers shall perform all duties of their respective offices as the Compact and these bylaws provide. Their duties shall include, but are not limited to, the following:

A. **Chair.** The chair shall call and preside at all Commission and Executive Committee meetings, prepare agendas for the meetings, make appointments to all Commission committees subject to the approval of the Executive Committee, and, at the Commission’s direction, act on the Commission’s behalf during the interim between Commission meetings.

B. **Vice Chair.** The vice chair shall perform the chair’s duties in the chair’s absence or at the chair’s direction. In the event of a vacancy in the chair’s office, the vice chair shall serve as acting chair until the Commission elects a new chair.

C. **Treasurer.** The treasurer, with the assistance of the Commission’s executive director, shall act as custodian of all Commission funds and shall be responsible for the collection and expenditure of funds, and for monitoring the administration of the Commission’s fiscal policies and procedures. When the Commission does not have an executive director, the treasurer shall also serve as secretary and perform the duties of secretary described in Article V, Section 2.

Section 3. Officers’ Costs and Expense Reimbursement.
Subject to the availability of budgeted funds, the officers shall be reimbursed for any reasonable and necessary expenses they incur in performing their duties and responsibilities as Commission officers directly related to Commission business and in accordance with the travel and expense reimbursement policies approved by the Commission.

Section 4. Members’ Travel Reimbursement.
Subject to the availability of budgeted funds, and unless the Commission provides otherwise, Commission members shall be reimbursed for any reasonable and necessary expenses they incur attending all duly convened Commission and committee meetings in accordance with the travel and expense reimbursement policies approved by the Commission.

**Article V. Commission Personnel.**

Section 1. Commission Staff and Offices.
Subject to the approval of a majority of the members of the Commission, the Executive Committee may appoint or retain an executive director who shall act as secretary to the Commission, but shall not be a Commission member. The Commission shall establish its principal place of business. The executive director shall manage the Commission’s principal office, including the hiring and supervising of the employees of the Commission.

Section 2. Executive Director’s Duties.
As the Commission’s principal administrator, the executive director shall also perform such duties as the Commission may determine, the Compact may require, or these bylaws may designate, including, but not limited to, the following:

A. **Serve as the secretary of the Commission.** The secretary shall keep minutes of all Commission and committee meetings, act as the custodian of all documents and records pertaining to the Compact’s status and the Commission business, and cause notice of Commission meetings to be given in accordance with these bylaws and the Commission rules. All Commission documents and records shall be maintained in the state where the Commission’s principal office is located;

B. **Recommend to the Commission general policies and program initiatives, including a code of ethics;**
C. Recommend to the Commission administrative and personnel policies governing the recruitment, hiring, management, compensation and dismissal of Commission staff and consultants;

D. Implement and monitor the administration of the Commission’s policies and program initiatives;

E. Prepare draft annual budgets;

F. Monitor all Commission expenditures for compliance with approved budgets, and maintain accurate records of all accounts;

G. Maintain an accurate record of the filing fees due to each state and remit the fees to each state no less often than monthly;

H. Execute contracts on the Commission’s behalf as directed;

I. Receive service of process on the Commission’s behalf;

J. Prepare the annual report to governors and state legislatures and, with the approval by the Commission, submit the annual report, which shall include a report of the independent audit, to the governor and legislature of each of the compacting states; for the purposes of this section, “legislature” will include the presiding officer of each legislative chamber and the chair and ranking member of each committee of jurisdiction;

K. Provide written, electronic notice on behalf of the Commission and the Executive Committee to the presiding officer of each legislative chamber, the majority and minority leaders of each chamber, and the chair and ranking member of each committee of jurisdiction in the compacting states of its intention to adopt a mandatory Rule;

L. Prepare and disseminate the Commission’s other required reports and notices as directed; and

M. Otherwise assist the Commission’s Executive Committee and officers in performing their duties under these bylaws.

Section 3. Reimbursement of Expenses of Commission Employees.

Employees of the Commission shall be reimbursed for any reasonable and necessary expenses they incur in connection with their Commission duties and responsibilities in accordance with the travel and expense reimbursement policies approved by the Commission.

Article VI. Indemnification and Insurance.

Section 1. Definitions.

A. “Party” means an individual who was or is a named plaintiff in a proceeding, or who was, is or is threatened to be made a named defendant or respondent in a proceeding.

B. “Applicant” means a member, officer, executive director, employee or representative of the Commission against whom a claim for damages or other civil liability is threatened or made or who was, is, or is threatened to be made a named defendant or respondent in a proceeding, and who is seeking indemnification pursuant to this Article.

C. “Proceeding” means any threatened, pending, or completed action, suit, or proceeding, whether civil, administrative, or investigative in nature, and whether formal or informal, or a successful criminal defense.

Section 2. Applicability.
The provisions of this Article shall be applicable to claims threatened or made and all proceedings commenced after its adoption by the Commission, arising from any act or omission that occurred, or that the person against whom the claim is made had a reasonable basis for believing occurred within the scope
Section 3. Standard of Conduct.
To be considered for indemnification from the Commission, a Member must have acted in good faith and in a manner which the person reasonably believed to be in, or not opposed to, the best interests of the Commission, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the conduct was unlawful.

Section 4. Determination of Standard of Conduct.
A. The termination of any proceeding by judgment, order, settlement, conviction, or upon plea of nolo contendere or its equivalent, is not, of itself, determinative that the applicant did not meet the standard of conduct in Section 3 of this Article.

B. Unless ordered by a court to provide indemnification, any indemnification made by the Commission pursuant to Article VI, Section 6c of the Compact shall be made by the Commission only as authorized in the specific case upon a determination that indemnification of the applicant is proper because the applicant acted in a manner consistent with the standard of conduct in Section 3 of this Article.

C. The determination shall be made by a majority vote of the Executive Committee consisting of members not at the time parties to the proceeding. If a quorum cannot be obtained, the determination shall be made by either:

(1) majority vote of a committee duly designated by the Executive Committee, consisting of two or more members of the Compact who are not at the time parties to the proceeding, provided that members who are parties may participate in the designation of the committee; or

(2) special legal counsel selected by a majority vote of the Executive Committee, including members of the Executive Committee that may be parties to the proceeding.

Section 5. Expenses.
To the extent that an applicant has been successful on the merits or otherwise in defense of a proceeding and qualifies for indemnification under this Article, the applicant shall be indemnified against expenses, including attorneys’ fees, actually and reasonably incurred by that person in connection with the proceeding. The Commission is authorized to pay for or reimburse the reasonable expenses, including attorneys’ fees, incurred by any applicant who is a party to a proceeding in advance of final disposition of the proceeding or the making of any determination under Section 4 of this Article if the applicant furnishes the Commission a written undertaking to repay the advance if it is ultimately determined that he or she did not meet such standard of conduct. The undertaking shall be an unlimited obligation of the applicant but need not be secured and may be accepted without reference to financial ability to make repayment.

Section 6. Insurance.
The Commission may purchase and maintain insurance on behalf of any person who is or was a Member, officer, executive director, employee or representative of the Commission, or is or was serving at the request of the Commission as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against that person and incurred by that person in any such capacity, or arising out of that person’s status as such, whether or not the Commission would have the authority to indemnify that person against such liability under the provisions of this Article.

Section 7. Exclusivity.
Every reference in this Article to members, officers, executive directors, employees, or representatives of the Commission shall include former members, officers, executive directors, employees, or representatives of the Commission and their respective heirs, executors and administrators. The indemnification provided by this Article shall not be exclusive of any other rights to which any applicant may be entitled, including any right under policies of insurance that may be purchased and maintained by the Commission or others, with respect to claims, issues or matters in relation to which the Commission would not have the power to indemnify such person under the provisions of this Article. Such rights shall not prevent or restrict the power of the Commission to make or provide for other indemnity, or provisions for determining entitlement to indemnity; provided, however, that any provision of such other arrangements shall not be effective if and to the extent it is contrary to Article VI, Section 6 of the Compact.

**Article VII. Commission Meetings.**

Section 1. Meetings of the Commission.

A. A meeting of the Commission means a prearranged gathering of the majority of the members of the Commission for the purpose of discussing or taking action upon Commission business. A meeting of the Commission shall not include any of the following, provided that formal action of the Commission is not taken and any discussion of Commission business is incidental to them: 1) gatherings of members for social purposes; 2) meetings of a regional, state or national body other than the Commission; or, 3) other public forum not convened solely by Commission members. For purposes of this paragraph, a gathering may take place in-person or via telephone or electronic communication.

B. The Commission shall hold an annual meeting in [MONTH] of each year or as early as possible thereafter, at such time and place as it determines, to elect members of the Executive Committee and Commission officers. Additional meetings of the Commission may be scheduled at the discretion of the chair, the Executive Committee or by vote of one-third of the members of the Commission.

C. All Commission meetings, whether or not a quorum is present, shall be open to the public, except as provided in this Section.

1. The Commission and its committees may close a meeting, or portion thereof, where it determines by majority vote that an open meeting would be likely to:
   
   a) relate solely to the Commission’s internal personnel practices and procedures;
   b) disclose matters specifically exempted from disclosure by federal and state statute;
   c) disclose trade secrets or commercial or financial information which is privileged or confidential;
   d) involve accusing a person of a crime, or formally censuring a person;
   e) disclose information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy;
   f) disclose investigative records compiled for law enforcement purposes; or
   g) specifically relate to the Commission’s issuance of a subpoena, or its participation in a civil action or other legal proceeding.

2. For a meeting, or portion of a meeting, closed pursuant to this provision, the Commission’s legal counsel or designee shall certify that the meeting may be closed and shall reference each relevant exemptive provision. The Commission shall keep minutes which shall fully and clearly describe all matters discussed in a meeting and shall provide a full and accurate summary of actions taken, and the reasons therefore, including a description of the views expressed and the record of a roll call vote. All documents considered in connection with an action shall be identified in such minutes. All minutes and documents of a closed meeting shall remain under seal, subject to release by a majority vote of the Commission.

3. If the Commission adds agenda items to the final agenda, the Commission by a majority vote of its entire membership may close the meeting with regard to the additional agenda items. As soon as practicable, the Commission must make public: (i) a copy of the vote to close the meeting, in whole or in part, revealing the vote of each member, and (ii) notice of any votes taken during the
closed session. Documents relating to a topic proposed for discussion in closed session may be distributed to members for their review on a confidential basis in advance of the vote on whether to close the meeting. If the Commission does not vote to close the meeting, the documents shall become public unless the Commission makes an affirmative determination that the documents are confidential pursuant to Article IX of the Compact or rules adopted pursuant thereto.

D. At the request of the Chair or upon a vote of two-thirds (2/3) of the members of the Commission, the Commission may call an emergency meeting if an unforeseen event or unexpected matter has arisen and there is a need for expedited action of the Commission. The request for an emergency meeting may be sent electronically to all members of the Commission and such action shall not, of itself and without more, constitute a meeting of the Commission. Wherever practicable, the Commission shall provide a minimum of forty-eight (48) hours notice of an emergency meeting to Commission members and members of the Operations and Legislative Committees, wherever practicable, provided the notice is sent by electronic means or facsimile and a minimum of four (4) days notice if sent by mail.

Section 2. Notice to the Members.
Except for emergency meetings, written notice of Commission meetings, along with a draft meeting agenda and instructions for making additions to, or other comments on, the agenda, shall be sent by electronic means or by mail or facsimile, to all Commission members at least thirty (30) days prior to the scheduled meetings. Final agendas shall be sent by electronic means or by mail or facsimile, to all Commission members at least fifteen (15) days prior to any meeting. Thereafter, additional agenda items requiring Commission action may not be added to the final agenda, except by an affirmative majority vote of the entire membership of the Commission. Attendance at a meeting by a Commission member shall constitute the member’s waiver of any defect in notice of the meeting, unless the member is in attendance at the meeting for the specific purpose of objecting to the notice.

Section 3. Notice to the Public.
Pursuant to Commission rules, prior public notice of Commission and Executive Committee meetings shall be provided as follows: (i) the Commission shall distribute the notice at least fifteen (15) days prior to the meeting, by electronic means, mail or facsimile, to parties who have requested in writing, including by electronic mail or facsimile, to receive such notices (“interested parties”); (ii) the notice must contain a description of the items to be addressed at the scheduled meeting, and the name and address of at least one individual serving as a contact person for information relating to the scheduled meeting; (iii) the public announcement shall be made unless the Commission determines, by a vote of two-thirds (2/3) of its entire membership, that Commission business requires that an emergency meeting be called at an earlier date, in which case, the Commission shall make the public announcement at the earliest practicable time, but with no less than forty-eight (48) hours notice, of the time, place and subject matter of the meeting, and whether the meeting is open to the public, or whether a request to close the meeting in whole or part is pending or anticipated; and (iv) the time and place of the meeting may be changed following the public announcement only if the Commission publicly announces the change at the earliest practicable time, but no less than forty-eight (48) hours notice. The Commission shall encourage each of its members to provide public announcements in their respective states of Commission meetings. The Commission shall also post notice of and agenda on its public website. Attendance at a meeting by a member of the public or a member of the Operations and Legislative Committees shall constitute the person’s waiver of any defect in notice of the meeting, unless the person is in attendance at the meeting for the specific purpose of objecting to the notice.

Section 4. Quorum.
A majority of the Commission members shall constitute a quorum for the transaction of business, except as these bylaws may otherwise require. A member’s participation in a meeting is sufficient to constitute his or her compacting state’s presence for purposes of establishing a quorum. The presence of a quorum must be established before any Commission vote is taken.

Section 5. Voting.
Each member representing his or her compacting state at any Commission meeting is entitled to cast only one vote and only on behalf of the compacting state he or she represents. Only members of the Commission, or their designees, are entitled to vote. A member shall not give its proxy to another member.
Members may participate in meetings by telephone or other means of telecommunication reasonably audible by all persons attending the meeting. If one or more members attend a meeting by telephone or other means of telecommunications, any vote put to the Commission shall be taken by roll call of all members attending the meeting. The Commission may also vote and take action by electronic means, in lieu of a meeting, after notice of the issue raised for a vote and if such action is taken, it shall be announced as soon as practicable to persons given notice of an Executive Committee meeting and posted to the Commission’s website. The notice shall specify a time for responses of not less than twenty-four (24) hours. Except as these bylaws may otherwise require, any question submitted to a Commission vote shall be determined by a majority of Commission members present and voting at any Commission meeting.

Section 6. Public Participation in Meetings.
The chair shall afford an opportunity to be heard by any person who desires to present an oral or written statement to the Commission on any matter that is on the agenda at any open meeting. The chair may reasonably limit such statements’ duration and manner of presentation.

Article VIII. Committees.
Section 1. Legislative Committee.
A. A Legislative Committee consisting of eight (8) state legislators or their designees shall be established to monitor the operations of, and make recommendations to, the Commission. The representatives of this committee shall be legislators from compacting states and shall consist of four legislators appointed by the National Conference of State Legislatures (NCSL) and four legislators appointed by the National Conference of Insurance Legislators (NCOIL). Each legislative association shall appoint one member from each of four NAIC zones, and NCSL and NCOIL should consult to achieve reasonable political and geographic balance.

B. NCSL and NCOIL shall appoint members to serve two-year terms. In the event of a vacancy, the legislative association that appointed the vacating member will appoint another legislator from the same NAIC zone to serve for the remainder of the term.

C. The Legislative Committee will elect two officers, a chair and a vice chair, including one Democrat and one Republican, to serve one-year terms. Officers must be elected by a majority of the committee and may be reelected for successive terms.

D. The Legislative Committee and the Executive Committee shall meet jointly and in person no less than once each year. The joint meeting shall occur each year prior to the Commission’s annual meeting and shall be coordinated by the committees’ respective officers.

E. Prior to the adoption by the Commission of any significant mandatory Rule, revision to the Bylaws, or annual budget, the Executive Committee shall consult with and report to the Legislative Committee.

Section 2. Operations Committee.
A. The Commission shall establish an Operations Committee, consisting of individuals who have extensive experience and/or employment in the surplus lines insurance business, including, but not limited to, executives and attorneys employed by surplus lines insurers, surplus lines licensees, law firms, state insurance departments, and state stamping offices. The Operations Committee shall serve without compensation or remuneration.

B. In order to maintain diversity in the Operations Committee, a member of the Operations Committee shall not be an employee of the same entity which employs the Commission member of that state.

C. All actions of the Operations Committee are subject to the review and oversight of the Commission and the Executive Committee and must be approved by the Commission. The Executive Committee will accept the determinations and recommendations of the Operations Committee unless good cause is shown why such determinations and recommendations should not be approved. Any disputes as to whether good cause exists to reject any determination or recommendation of the Operations Committee shall be resolved by the majority vote of the Commission.
D. The Operations Committee shall consist of not more than fifteen (15) members. For an initial term, Operations Committee membership shall comprise up to the first 15 states that join the compact.

E. Commission members from compacting states that utilize the services of a stamping office shall appoint the chief operating officer or a senior manager of the state stamping office as the state’s candidate to the Operations Committee.

F. The Commission shall develop a process to determine Operations Committee membership for subsequent terms when Commission membership exceeds 15 states. Any such process shall provide for the election of Operations Committee members by a majority vote of the Commission, and shall also provide that each compacting state shall have an opportunity to be represented for the same number of terms on the Operations Committee before any other compacting state is represented for an additional term.

G. Each Commission member, through a process to be determined by the Commission, shall solicit applications from qualified individuals interested in serving as the state’s Operations Committee candidate, and shall appoint an individual who shall be considered the state’s candidate to the Operations Committee, and who shall also serve in an advisory capacity to the state.

H. Selection of Operations Committee members shall take place at the annual meeting of the Commission in [MONTH] of each year. Nominations for candidates for the election of members of the Operations Committee must be submitted shall be submitted in accordance with the process adopted by the Commission pursuant to Section 2G of this Article.

I. A member may be removed from the Operations Committee based on the following grounds: 1) failure to attend, either by person or designee, five (5) consecutive regular meetings of the Operations Committee; 2) the person serving as member is convicted of a felony, or its equivalent, under state or federal law; or 3) the person serving as member becomes physically or mentally incapacitated in a manner which prevents the full performance of duties as a member of the Operations Committee. If an Operations Committee member misses three (3) consecutive regular meetings of the Operations Committee, the secretary shall send a written notice to the member, with a copy to the state’s Commission member, notifying the member that missing five (5) meetings could subject the member to a vote of removal from the Commission. The participation of a member who is subsequently removed does not affect the validity of any Operations Committee action before the effective date of removal. Removal of an Operations Committee member is effective upon a majority vote of the Commission, after the member has been given at least thirty (30) days notice of the proposed grounds for removal and been given an opportunity to address the Commission before the vote.

J. If, after the initial term, a vacancy occurs on the Operations Committee by death, resignation or removal of a member of the Operations Committee, the vacancy shall be filled in accordance with the process adopted by the Commission pursuant to Section 2F of this Article.

K. The Operations Committee shall have responsibility for:
   (1) Evaluating technology requirements for the Clearinghouse, assessing existing systems used by state regulatory agencies and state stamping offices to maximize the efficiency and successful integration of the Clearinghouse technology systems with state and state stamping office technology platforms and to minimize costs to the states, state stamping offices and the Clearinghouse;

   (2) Making recommendations to the Executive Committee based on its analysis and determination of the Clearinghouse technology requirements and compatibility with existing state and state stamping office systems;
(3) Evaluating the most suitable proposals for adoption as mandatory Rules, assessing such proposals for ease of integration by states, and likelihood of successful implementation and to report to the Executive Committee its determinations and recommendations;

(4) Such other duties and responsibilities as are delegated to it by the Bylaws, the Executive Committee or the Commission.

L. A meeting of the Operations Committee means a prearranged gathering of the majority of the members of the Operations Committee for the purpose of discussing or taking action upon Operations Committee business. A meeting of the Operations Committee shall not include any of the following, provided that formal action of the Operations Committee is not taken and any discussion of Operations Committee business is incidental to them: (1) gatherings of members for social purposes; (2) meetings of a regional, state or national body other than the Operations Committee; or; (3) other public forums not convened solely by Operations Committee members. For purposes of this paragraph, a gathering may take place in-person or via telephone or electronic communication.

M. Meetings of the Operations Committee may be scheduled at the discretion of the officers or by vote of one-third (1/3) of Operations Committee members. Written notice of Operations Committee meetings shall be sent by electronic means, by mail or facsimile, to all Operations Committee members at least fifteen (15) days prior to the scheduled meetings. Attendance at a meeting by an Operations Committee member shall constitute the member’s waiver of any defective notice of the meeting, unless the member is in attendance at the meeting for the specific purpose of objecting to the notice. A majority of the members of the Operations Committee shall constitute a quorum for a meeting of the Operations Committee. Members may participate in meetings by telephone or other means of telecommunication reasonably audible by all persons attending the meeting. If one or more members attend a meeting by telephone or other means of telecommunication, any vote put to the Operations Committee shall be taken by roll call of all members attending the meeting. The Operations Committee may take action in lieu of a meeting provided such action is taken pursuant to unanimous written consent, via regular or electronic mail, facsimile or other electronic means, of all members of the Operations Committee and if such action is taken, it shall be announced as soon as practicable to persons given notice of a Operations Committee meeting and posted to the Commission’s website.

N. All meetings of the Operations Committee shall be open to the public.

Section 3. Advisory Committees.
The Commission may establish advisory committees. The advisory committees shall provide the Commission with input, counsel and advice on matters pertaining to the Commission’s operations. The Commission shall provide to the advisory committees information of a public, nonconfidential nature regarding Commission business including but not limited to: (i) information regarding budget; (ii) filing fees; (iii) adoption and amendment of product standards, (iv) rules and operating procedures; and (v) Bylaw amendments. The Commission shall use reasonable efforts to provide this information at the earliest practicable time prior to a meeting where action is expected to be taken on a Commission matter or upon request of an advisory committee member. The Commission shall provide an opportunity for the advisory committees to comment to the Commission on Commission matters prior to action being taken.

Section 4. Reimbursement of Meeting Expenses.
Subject to the availability of budgeted funds, and unless the Commission provides otherwise, members of the Legislative Committee shall be reimbursed for any reasonable and necessary expenses they incur attending all duly convened Commission and committee meetings in accordance with the travel and expense reimbursement policies approved by the Commission.

Section 5. Other Committees.
A. The Commission or the Executive Committee may establish such other committees or subcommittees as it deems necessary to carry out the Compact’s objectives, including but not limited to drafting initial proposals for recommendation to the Executive Committee or Commission. The Commission shall establish the committees’ or subcommittees’ composition, procedures, duties and tenure. As used in
this Section, “committee or subcommittee” means a committee or subcommittee established under this section but not the Audit Committee.

B. Prior to a committee or subcommittee taking a vote on a recommendation to be forwarded to the Commission or Executive Committee, including but not limited to a recommendation related to a rule or operating procedure, a committee or subcommittee shall hold one, or may hold more than one, open meeting that provides the public with an opportunity to comment on the proposed recommendation.

C. Written notice of a committee or subcommittee meeting that is open to the public shall be provided at least fifteen (15) days prior to the meeting to committee or subcommittee members, members of the Commission’s legislative and advisory committees, and to parties who have requested in writing to receive such notices. Notice of the meeting shall also be posted on the Commission website. The notice must contain a description of the items to be addressed at the scheduled meeting, and the name and address of at least one individual serving as a contact person for information related to the scheduled meeting. An open meeting of a committee or subcommittee may be held via teleconference, in which case the notice of a meeting shall indicate the manner in which members and the public may participate.

D. Committees and subcommittees are not authorized to act on behalf of the Executive Committee or Commission unless specifically authorized to do so.

E. The independent Audit Committee established under these bylaws shall not be subject to this Section and shall conduct its activities and affairs consistent with Article IX, Section 4 of these bylaws.

Article IX. Finance.

Section 1. Fiscal Year.
The Commission’s fiscal year shall begin on January 1 and end on December 31.

Section 2. Budget.
Each year, the Commission shall adopt a budget for the following fiscal year only after notice and comment in accordance with Commission rules.

Section 3. Accounting and Audit.
The Commission, with the assistance of the executive director, if one has been appointed, shall keep accurate and timely accounts of its internal receipts, including grants and donations, and disbursements of Commission funds. The treasurer, with the assistance of the executive director, shall provide assistance and information to the Audit Committee and to the independent certified public accountant in its annual audit of the Commission’s financial accounts and reports including the Commission’s system of internal controls and procedures in accordance with Article XII, Section 5 of the Compact. The independent auditor’s report shall be made available to the public and included in the annual report to the compacting states’ governors and legislatures.

Section 4. Audit Committee.
The Executive Committee shall create an independent Audit Committee of no fewer than three members of the Commission. Members of the Audit Committee shall not be members of the Executive Committee. The Audit Committee shall be directly responsible for the appointment, compensation, and oversight of the independent certified public accountant employed to conduct the audit required by Article XII Section 5 of the Compact. The Executive Committee shall provide for appropriate funding, as determined by the Audit Committee, for the payment of compensation to the independent certified public accountant appointed by the Audit Committee. The Audit Committee shall also have the power, to the extent permitted by law, to: (i) initiate or review the results of an audit or investigation into the business affairs of the Commission; (ii) review the Commission’s financial accounts and reports; (iii) conduct pre-audit and post-audit reviews with Commission staff, members and independent auditors; and (iv) exercise such other powers and authority as delegated to it by a majority vote of the members of the Commission. The Audit Committee shall select an auditor at a meeting that is open to the public. At the next meeting of the Commission following issuance of the annual independent audit report, the Commission shall include the annual audit report as an item on
its agenda for the meeting, and shall allow public comment on the report prior to its acceptance by the Commission. Except for the annual independent audit report required by Article XII, Section 5 of the Compact, audit and investigation reports and reviews of the Audit Committee, including work papers, shall be confidential information of the Commission and may not be disclosed unless ordered otherwise by a majority vote of the Commission or by a court that has jurisdiction over the Commission.

Section 5. Internal Accounts and Workpapers.
The Commission’s internal accounts shall not be confidential and such materials may be shared with the Commissioner of any Compacting State upon request, provided, however, that any work papers related to any internal or independent audit or investigation and any information regarding the privacy of individuals and insurers’ proprietary information, including trade secrets, shall remain confidential.

Article X. Withdrawal, Default and Termination.
Section 1. Withdrawal.
A compacting state may withdraw from the Compact only in accordance with the procedures provided in the Compact.

Section 2. Default and Termination.
A compacting state may be considered in default of the performance of its obligations and responsibilities under the Compact in accordance with the provisions of the Compact. If the Commission determines that any compacting state is in default, the defaulting state shall be entitled to notice and hearing on the issue, pursuant to rules and procedures for the conduct of such hearings adopted by the Commission and as amended from time to time. The procedures for the hearing shall be in conformance with the Model State Administrative Procedure Act of 1981, as amended. The Commission may order, after a hearing, that the rights, privileges and benefits conferred by the Compact shall be suspended from the effective date of default as fixed by the Commission.

B. If the Commission finds a compacting state in default, it shall provide the compacting state with a specified period of time within which to cure such default. If the compacting state fails to cure its default within the time specified by the Commission, the rights, privileges and benefits conferred by the Compact on the compacting state in default shall automatically terminate upon expiration of the cure period specified by the Commission.

Article XI. Adoption and Amendment of Bylaws.
Any bylaws may be adopted, amended or repealed by a majority vote of the members of the Commission, provided that written notice and the full text of the proposed action is provided to all Commission members and posted on the Commission’s web site at least thirty (30) days prior to the meeting at which the action is to be considered. Failing the required notice, a two-thirds majority vote of the members of the Commission is required for such action. As adopted and subsequently amended, these Bylaws shall remain at all times subject to, and limited by, the terms of the Compact. The Rules and Operating Procedures, as adopted and subsequently amended, shall remain at all times subject to, and limited by, the terms of the Bylaws and the Compact, respectively.

Article XII. Dissolution of the Compact.
The Compact shall dissolve effective upon the date of the compacting states’ withdrawal or termination by default that reduces membership in the Compact to one compacting state.

Upon the Compact’s dissolution, the Compact becomes null and void and is of no further force and effect, and the Commission’s business and affairs shall be wound up. Any surplus funds remaining after payment of all obligations of the Commission shall be used for repayment of any identifiable start-up funds contributed; provided that if the funds are not sufficient, distribution shall be made on a pro rata basis. Any surplus funds remaining after the repayment of start-up funds shall be distributed equally to the compacting states that are members of the Commission upon dissolution. Dissolution of the Commission shall not affect the validity of any actions taken by the Commission prior to its dissolution.