



ENERGY INSURANCE SERVICES, INC.
BYLAWS
(REVISED JUNE 5, 2017)

**BYLAWS
OF
ENERGY INSURANCE SERVICES, INC.**

ARTICLE I. INTERPRETATION

| | | |
|-------|-------------|---|
| § 1.1 | Definitions | 3 |
| § 1.2 | Guidance | 4 |

ARTICLE II. OFFICES

| | | |
|-------|-------------------|---|
| § 2.1 | Business Office | 4 |
| § 2.2 | Registered Office | 5 |

ARTICLE III. SHAREHOLDER

| | | |
|--------|--|---|
| § 3.1 | Shareholder Agreement | 5 |
| § 3.2 | Annual Meeting | 5 |
| § 3.3 | Special Meetings | 5 |
| § 3.4 | Place of Meeting | 5 |
| § 3.5 | Notice of Meeting | 5 |
| § 3.6 | Fixing of Record Date | 7 |
| § 3.7 | Quorum and Voting Requirements | 7 |
| § 3.8 | Proxies | 7 |
| § 3.9 | Voting of Shares | 7 |
| § 3.10 | Voting for Directors | 8 |
| § 3.11 | Shareholder's Rights to Inspect Corporate Records | 8 |
| § 3.12 | Financial Statements Shall be Furnished to Shareholder | 9 |

ARTICLE IV. BOARD OF DIRECTORS

| | | |
|--------|---|----|
| § 4.1 | General Powers | 9 |
| § 4.2 | Number, Tenure and Qualifications of Directors | 10 |
| § 4.3 | Regular Meetings | 10 |
| § 4.4 | Special Meetings | 10 |
| § 4.5 | Meeting in South Carolina | 10 |
| § 4.6 | Notice of Special Meeting | 10 |
| § 4.7 | Director Quorum | 11 |
| § 4.8 | Manner of Acting | 11 |
| § 4.9 | Establishing a "Supermajority" Quorum or Voting Requirement | 11 |
| § 4.10 | Action Without a Meeting | 12 |
| § 4.11 | Removal of a Director | 12 |
| § 4.12 | Vacancies | 12 |
| § 4.13 | Compensation | 13 |
| § 4.14 | Committees | 13 |

ARTICLE V. OFFICERS

| | | |
|-------|--------|----|
| § 5.1 | Number | 14 |
|-------|--------|----|

| | | |
|---|--|----|
| § 5.2 | Appointment and Term of Office | 14 |
| § 5.3 | Removal | 14 |
| § 5.4 | President | 14 |
| § 5.5 | Secretary | 14 |
| § 5.6 | Chairman of the Board | 15 |
| § 5.7 | Compensation | 15 |
| <u>ARTICLE VI. INDEMNIFICATION</u> | | |
| § 6.1 | Indemnification of Directors, Officers, Agents and Employees | 15 |
| § 6.2 | Insurance | 16 |
| <u>ARTICLE VII. CERTIFICATES FOR SHARES AND THEIR TRANSFER</u> | | |
| § 7.1 | Certificates for Shares | 16 |
| § 7.2 | Registration of the Transfer of Shares | 17 |
| § 7.3 | Acquisition of Shares | 17 |
| <u>ARTICLE VIII. MUTUAL BUSINESS PROGRAMS</u> | | 17 |
| <u>ARTICLE IX. ACCOUNTS</u> | | |
| § 9.1 | Bank Accounts | 19 |
| § 9.2 | Accounting Records | 19 |
| § 9.3 | Audits | 19 |
| <u>ARTICLE X. DISTRIBUTIONS</u> | | |
| § 10.1 | Distributions | 19 |
| § 10.2 | Reserves | 19 |
| § 10.3 | Capitalization of Profits | 20 |
| <u>ARTICLE XI. CORPORATE SEAL</u> | | 20 |
| <u>ARTICLE XII. EMERGENCY BYLAWS</u> | | 20 |
| <u>ARTICLE XIII. AMENDMENTS</u> | | 21 |

ARTICLE I. INTERPRETATION

§ 1.1 **Definitions.** In interpreting these Bylaws, unless the context requires otherwise:

"**Act**" means the South Carolina Business Corporation Act of 1988 (as amended);

"**Articles**" means the Company's Articles of Domestication as filed with the South Carolina Secretary of State or as from time to time amended;

"**Bylaws**" means these Bylaws in their present form or as from time to time amended;

"**Board**" means the Board of Directors of the Company or the Directors present at a meeting of Directors at which there is a quorum;

"**Company**" means the entity incorporated in South Carolina as Energy Insurance Services, Inc.;

"**Department**" means the South Carolina Department of Insurance.

"**Member Insured**" shall mean any person (i) who is an insured or reinsured of the Company or who has risks which are insured or reinsured by the Company, (ii) whose insurance or reinsurance risks the Company has identified as Mutual Business and (iii) who the Company has admitted as a Member Insured in the Company and has been identified in the books and records of the Company as such and as a person entitled to policyholder dividends or good experience returns, in accordance with these Bylaws;

"**Mutual Business**" means the insurance or reinsurance business or such portion or portions thereof which the Company identifies in its books and records at the time it accepts such business or such portion or portions thereof as business to be written for Member Insureds on a mutual basis;

"**Mutual Business Program**" shall mean any program under which the Company writes Mutual Business;

"**Policy**" means such contract of insurance, reinsurance, co-insurance and counter-insurance of all kinds, financial guarantee insurance contracts, guaranteed investment contracts, annuities, and guaranty, surety and indemnity business of all kinds and whether the same shall be risk-bearing or fully-funded as the Company may issue from time to time in such form as it may deem expedient;

"**President**" means the person appointed by the Board to perform the traditional duties of a corporate president, regardless of actual title granted by the Board;

"**Principal Office**" means the Company's principal place of transacting business, required to be within the State of South Carolina by § 38-90-20 (B)(3) of the South Carolina Code;

"Registered Office" means the registered office for service of process upon the Company, required to be within the State of South Carolina by §§ 33-5-101 and 38-90-20 (B)(4) of the South Carolina Code;

"Resident Director" means a director of the Company who resides in South Carolina as required by § 38-90-60 (I);

"Resolution" means a resolution of the Shareholder adopted either in general meeting or by written resolution, in accordance with the provisions of these Bylaws;

"Seal" means the common seal of the Company and includes any duplicate thereof;

"Secretary" includes a temporary or assistant or deputy Secretary and any person appointed by the Board to perform any of the traditional duties of a corporate Secretary, regardless of actual title granted by the Board;

"Shareholder" means the entity incorporated in Barbados as Energy Insurance Mutual Limited;

§ 1.2 Guidance.

For the purpose of interpreting these Bylaws, unless the context requires otherwise:

- (a) Words importing only the singular number include the plural number and vice versa;
- (b) Words importing only the masculine gender include the feminine and neuter genders;
- (c) Words importing persons include companies or associations or bodies of persons, whether corporate or un-incorporate;
- (d) Reference to writing shall include typewriting, printing, lithography, photography and other modes of representing or reproducing words in a legible and non-transitory form; and
- (e) Any words or expressions defined in the Act as of the date these Bylaws or any part thereof are adopted shall bear the same meaning in these Bylaws or such part (as the case may be).

ARTICLE II. OFFICES

§ 2.1 Business Office

The Principal Office shall be located in the State of South Carolina as the Board may from time to time designate. The Company may have such other offices, either within or without South Carolina, as the Board may designate or as the business of the Company may require from time to time.

§ 2.2 Registered Office

The Registered Office shall be located within the State of South Carolina as the Company may, from time to time designate, and may be, but need not be, identical with the Principal Office.

ARTICLE III. SHAREHOLDER

§ 3.1 Shareholder Agreement

The Shareholder and the Company may enter into an agreement which imposes restrictions on the transfer or registration of transfer of shares of the Company.

§ 3.2 Annual Meeting

The annual Shareholder meeting shall be held at such time and date as shall be fixed by the Board, for the purpose of electing directors and for the transaction of such other business as may come before the Shareholder. If the election of directors shall not be held on the day designated herein for any annual Shareholder meeting, or at any subsequent continuation after adjournment thereof, the Board shall cause the election to be held at a special Shareholder meeting as soon thereafter as convenient.

In the alternative, any action by the Shareholder which may be taken at an annual meeting may be taken without a meeting if the action is taken by written consent pursuant to § 33-7-104 of the South Carolina Code. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

§ 3.3 Special Meetings

Special meetings of the Shareholder, for any purpose, described in the meeting notice, may be called by the Board, or by the President, at the request of the Shareholder.

§ 3.4 Place of Meeting

The Board may designate any place within or outside of South Carolina as the place of meeting for any annual or special meeting of the Shareholder. If no designation is made, the place of meeting shall be the Principal Office.

§ 3.5 Notice of Meeting

(a) Required notice

Written notice stating the place, day and hour of any annual or special meeting shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by the persons calling the meeting, to the Shareholder and Board. Notice shall be deemed to be effective at the earlier of: (1) when deposited in the United States mail, addressed to the Shareholder at his address as it appears on the stock transfer books of the Company, with postage thereon prepaid, (2) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is

signed by or on behalf of the addressee, (3) when received, or (4) 5 days after deposit in the United States mail, if mailed postpaid and correctly addressed to an address other than that shown in the Company's current record of Shareholder.

(b) Adjourned Meeting

If any meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time or place, if the new date, time and place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is, or must be, fixed (see § 3.6 of this Article III) then notice must be given pursuant to the requirements of paragraph (a) above.

(c) Waiver of Notice

The Shareholder may waive notice of the meeting (or any other notice), by a writing signed by the Shareholder, which is delivered to the Company (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the Company's corporate records.

(d) Contents of Notice

The notice of each special meeting shall include a description of the purposes for which the meeting is called. Except as provided herein, the notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called.

If a purpose of any Shareholder meeting is to consider either:

- (1) a proposed amendment to the Articles;
- (2) a plan of merger or share exchange;
- (3) the sale, lease, exchange or other disposition of all, or substantially all of the Company's property;
- (4) the adoption, amendment or repeal of the Bylaws;
- (5) dissolution of the Company; or
- (6) removal of a director for cause,

the notice must so state and be accompanied by respectively a copy or summary of the:

- (1) Proposed Articles of Amendment or Restated Articles of Incorporation;
- (2) plan of merger or share exchange;
- (3) transaction for disposition of all the Company's property; or
- (4) bylaw proposal.

If the Company indemnifies or advances expenses to a director, the Company shall report in writing to the Shareholder the consideration received with or before notice of the next meeting.

§ 3.6 Fixing of Record Date

For any proper purpose requiring a determination by the Shareholder, the Board may fix in advance a date as the record date of any Company action. Such record date shall not be more than seventy days prior to the date on which the particular action is to be taken. If no record date is so fixed by the Board, the record date shall be at the close of business on:

- (a) With respect to any annual or special Shareholder meeting called by the Board or President the day before the first notice is delivered to the Shareholder;
- (b) With respect to a special meeting demanded by the Shareholder, the date the Shareholder signs the demand;
- (c) With respect to the payment of a share dividend, the date the Board authorizes the share dividend;
- (d) With respect to actions taken in writing without a meeting (pursuant to Art. III § 3.2), the date the Shareholder signs a consent;
- (e) And with respect to a distribution to the Shareholder (other than one involving a repurchase or reacquisition of shares), the date the Board authorizes the distribution.

§ 3.7 Quorum and Voting Requirements

A majority of the votes entitled to be cast on the matter constitutes a quorum for action on that matter.

§ 3.8 Proxies

The Shareholder may vote in person, or vote by proxy which is executed in writing by the Shareholder or which is executed by his duly authorized attorney-in-fact. Such proxy shall be dated and filed with the Company secretary or other person authorized to tabulate votes before or at the time of the meeting. Unless a time of expiration is otherwise specified, a proxy is valid for eleven months. A proxy is revocable unless executed in compliance with § 33-7-220 (d) of the South Carolina Code, or any succeeding statute of like tenor and effect.

§ 3.9 Voting of Shares

Each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of the Shareholder. If a quorum exists, action on a matter (other than the election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing the action.

§ 3.10 Voting for Directors

At each election for directors, the Shareholder shall have the right to vote the number of votes it is entitled to cast for as many persons as there are directors to be elected.

§ 3.11 Shareholder's Rights to Inspect Corporate Records

(a) Minutes and Accounting Records

The Company shall maintain books and records of its business as required by South Carolina law and shall keep a permanent record of all minutes of meetings and actions taken by the Shareholder or Board, with or without a meeting, and a record of all actions taken by a committee of the Board in place of the Board on behalf of the Company.

(b) Absolute Inspection Rights of Records Required at Principal Office

The Shareholder has the right to inspect and copy, during regular business hours, any of the following records, all of which the Company is required to keep at the Principal Office:

- (1) the Articles and all amendments to them currently in effect;
- (2) the Bylaws and all amendments to them currently in effect;
- (3) resolutions adopted by its Board creating one or more classes or series of shares, and fixing their relative rights, preferences, and limitations, if shares issued pursuant to those resolutions are outstanding;
- (4) excerpts from minutes of any meeting of the Board, records of any action of a committee of the Board on behalf of the Company, minutes of any meeting of the Shareholder, and records of action taken by the Shareholder or Board without a meeting;
- (5) the minutes of all meetings of the Shareholder, and records of all action taken by the Shareholder without a meeting, for the past 10 years;
- (6) all written communications to the Shareholder generally within the past three years, including the financial statement furnished for the past three years to the Shareholder;
- (7) a list of the names and business addresses of its current directors and officers;
- (8) its most recent annual financial statement filed with the South Carolina Department of Insurance; and
- (9) the Company's federal income and state premium tax returns for the last ten years and accounting records for the Company.

(c) Copy Costs

The right to copy records includes, if reasonable, the right to receive copies made by photographic, xerographic, or other means. The Company may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the Shareholder. The charge may not exceed the estimated cost of production or reproduction of the records.

§ 3.12 Financial Statements Shall be Furnished to the Shareholder

- (a)** The Company shall furnish the Shareholder annual financial statements, which may be consolidated or combined statements of the Company and one or more of its affiliates, as appropriate, that include a balance sheet as of the end of the fiscal year, an income statement for that year, and a statement of changes in Shareholder's equity for the year unless that information appears elsewhere in the financial statements. If financial statements are prepared for the Company on the basis of generally accepted accounting principles, the annual financial statements for the Shareholder also must be prepared on that basis.
- (b)** If the annual financial statements are reported upon by a public accountant, his report must accompany them. If not, the statements must be accompanied by a statement of the President or the person responsible for the Company's accounting records:

 - (1)** stating his reasonable belief whether the statements were prepared on the basis of generally accepted accounting principles and, if not, describing the basis of preparation; and
 - (2)** describing any respects in which the statements were not prepared on a basis of accounting consistent with the statements prepared for the preceding year.
- (c)** The Company shall mail the annual financial statements to the Shareholder within 120 days after the close of each fiscal year. Thereafter, on written request from the Shareholder, the Company shall mail the Shareholder the Company's latest financial statements.

ARTICLE IV. BOARD OF DIRECTORS

§ 4.1 General Powers

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of the Board.

§ 4.2 Number, Tenure and Qualifications of Directors

The minimum number of directors of the Company shall be three. Each director shall hold office until the next annual meeting of the Shareholder or until removed. However, if his term expires,

he shall continue to serve until his successor shall have been elected and qualified or until there is a decrease in the number of directors. At least one director must be a resident of South Carolina.

§ 4.3 Regular Meetings

A regular meeting of the Board shall be held without other notice than this section immediately after, and at the same place as, the annual meeting of the Shareholder. The Board may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

§ 4.4 Special Meetings

Special meetings of the Board may be called by or at the request of the President or any one director. The person authorized to call special meetings of the Board may fix any place, which may be either within or outside of the State of South Carolina, as the place for holding any special meeting of the Board.

§ 4.5 Meeting in South Carolina

The Company shall hold at least one regular or special meeting of the Board each year in the State of South Carolina.

§ 4.6 Notice of Special Meeting

(a) Required Notice

Notice of any special meeting shall be given at least two days previously thereto either orally or in writing. Notice may be communicated in person; by telephone, telegraph, teletype, or other form of wire or wireless communication; or by mail or private carrier. If mailed, such notice shall be deemed to be effective at the earlier of (1) when received; (2) five days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or (3) the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director.

(b) Waiver of Notice

Any director may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

§ 4.7 Director Quorum

A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole Board. Any amendment to this quorum requirement is subject to the provisions of § 4.9 of this Article IV.

§ 4.8 Manner of Acting

(a) Required Vote

The act of the majority of the directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board. Any amendment which changes the number of directors needed to take action, is subject to the provisions of § 4.9 below.

(b) Meeting Participation by Communication Equipment

Any or all directors may participate in any meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(c) Failure To Object To Action

A director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless: (1) he objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting; or (2) his dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the Company immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

§ 4.9 Establishing a “Supermajority” Quorum or Voting Requirement

For purposes of this § 4.9, a “supermajority” quorum is a requirement that more than a majority of the directors in office constitute a quorum; and a “supermajority” voting requirement is any requirement that requires the vote of more than a majority of those directors present at a meeting at which a quorum is present to be the act of the directors.

A bylaw that fixes a supermajority quorum or supermajority voting requirement may be amended or repealed:

- (a)** if originally adopted by the Shareholder, only by the Shareholder (unless otherwise provided by the Shareholder);
- (b)** if originally adopted by the Board, either by the Shareholder or by the Board.

Subject to the provisions of the preceding paragraph, action by the Board to adopt, amend, or repeal a bylaw that changes the quorum or voting requirement for the Board must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.

§ 4.10 Action Without a Meeting

Any action required or permitted by the Act to be taken at a Board meeting may be taken without a meeting if the action is assented to by all members of the Board.

The action may be evidenced by one or more written consents describing the action taken, signed by each director, and included in the minutes or filed with the corporate records reflecting the action taken. Action evidenced by written consents under this section is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

§ 4.11 Removal of a Director

The Shareholder may remove one or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause unless the Articles provide that directors may only be removed with cause. A director may be removed only if the number of votes cast to remove him exceeds the number of votes cast not to remove him.

§ 4.12 Vacancies

If a vacancy occurs on the Board, including a vacancy resulting from an increase in the number of directors, the Shareholder may fill the vacancy. If the Resident Director resigns, or is removed, the next vacancy must be filled by a South Carolina resident. During such time that the Shareholder fails or is unable to fill such vacancies then and until the Shareholder acts:

- (a) the Board may fill the vacancy; or
- (b) if the directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office.

A vacancy that will occur at a specific later date (by reason of a resignation effective at a later date) may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

The term of a director elected to fill a vacancy expires at the next meeting of the Shareholder at which directors are elected. However, if his term expires, he shall continue to serve until his successor is elected and qualifies or until there is a decrease in the number of directors.

§ 4.13 Compensation

By resolution of the Board, each director may be paid his expenses, if any, of attendance at each meeting of the Board, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board or both. No such payment shall preclude any director from serving the Company in any capacity and receiving compensation therefor. Any compensation, other than that for reasonable expenses, must have prior approval by the Department.

§ 4.14 Committees

(a) Creation of Committees

The Board may create one or more committees and appoint to serve on them members of the Board and members of the board of directors of the Shareholder. Each committee must have two or more members, who serve at the pleasure of the Board.

(b) Selection of Members

The creation of a committee and appointment of members to it must be approved by the number of directors required by these Bylaws to take such action.

(c) Required Procedures

Sections 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10 of these Bylaws, which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements of the Board, apply to committees and their members.

(d) Authority

Each committee may exercise only those aspects of the authority of the Board which the Board confers upon such committee in the resolution creating the committee. No committee may:

- (1) authorize distributions;
- (2) approve or propose to the Shareholder action that the Act requires be approved by the Shareholder;
- (3) fill vacancies on the Board or on any of its committees;
- (4) amend the Articles;
- (5) adopt, amend, or repeal these Bylaws;
- (6) approve a plan of merger not requiring Shareholder approval;

- (7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board; or
- (8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the Board may authorize a committee (or a senior executive officer of the Company) to do so within limits specifically prescribed by the Board.

ARTICLE V. OFFICERS

§ 5.1 Number

The officers of the Company shall be a President and Secretary, each of whom shall be appointed by the Board. Such other officers (including, but not limited to, a Chairman of the Board) and assistant officers may be appointed by the Board, as may be deemed necessary and shall have such duties and titles as the Board shall determine. The same individual may simultaneously hold more than one office in the Company, except the President may not also simultaneously serve as the Secretary.

§ 5.2 Appointment and Term of Office

The officers of the Company shall be appointed by the Board for a term as determined by the Board. The designation of a specified term grants to the officer no contract rights, and the Board can remove the officer at any time prior to the termination of such term. If no term is specified, they shall hold office until they resign, die, or until they are removed in the manner provided below.

§ 5.3 Removal

Any officer may be removed by the Board at any time, with or without cause. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer or agent shall not of itself create contract rights.

§ 5.4 President

The President shall be the principal executive officer of the Company and, subject to the control of the Board, shall in general supervise and control all of the business and affairs of the Company. He may sign, with the Secretary or any other proper officer of the Company thereunto authorized by the Board, certificates for shares of the Company and deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Company, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of corporate president and such other duties as may be prescribed by the Board from time to time.

§ 5.5 Secretary

The Secretary shall: (a) keep the minutes of the proceedings of the Shareholder and of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the Seal and see that it is affixed to all documents the execution of which on behalf of the Company under its Seal is duly authorized; (d) when requested or required, authenticate any records of the Company; (e) keep a register of the post office address of the Shareholder which shall be furnished to the Secretary by the Shareholder; (f) sign with the President, or other authorized officer, certificates for shares of the Company, the issuance of which shall have been authorized by resolution of the Board; (g) have general charge of the stock transfer books of the Company; and (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board.

§ 5.6 Chairman of the Board

The Chairman of the Board, or his designee, shall preside at all meetings of the Shareholder and of the Board.

§ 5.7 Compensation

The salaries of the officers shall be fixed from time to time by the Board. Any compensation, other than that for reasonable expenses, must receive prior approval by the Department.

ARTICLE VI. INDEMNIFICATION

§ 6.1 Indemnification of Directors, Officers, Agents and Employees

- (a) Any person (including the heirs, executors, administrators, estates, legatees, or devisees of such person) who was or is a party or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (including any action or suit by or in the right of the Company to procure a judgment in its favor) by reason of the fact that (a) he is or was a director, managing shareholder, officer, employee, or agent of the Company or (b) he is or was serving at the request of the Company as a director, managing shareholder, officer, partner, manager, member, trustee, employee, or agent of another corporation, partnership, limited liability company, joint venture, trust, or other enterprise or employee benefit plan, shall be indemnified by the Company, as and to the fullest extent authorized by the laws of the State of South Carolina, against any expense or liability including, without limitation, attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, provided that this indemnity shall not extend to any matter in respect of any gross negligence, willful default, fraud or dishonest which may attach to any of said persons.
- (b) Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding, under terms authorized by the Board in the specific case, upon receipt

of an undertaking by or on behalf of the Director, Secretary, officer, liquidator or trustee to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Company as authorized in these Bylaws or otherwise pursuant to the Act.

- (c) The indemnification provided by this item and by the laws of the State of South Carolina shall not be deemed exclusive of any other rights to which any person indemnified may be entitled under the Bylaws, Articles, agreement, vote of stockholders or disinterested directors, or otherwise, but the invalidity of this sentence shall not affect the other provisions hereof.
- (d) Each Member Insured agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director, Secretary and other officer on account of any action taken by such Director, Secretary and other officer or the failure of such Director, Secretary and other officer to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect to any willful negligence, willful default, fraud or dishonesty which may attach to such Director, Secretary and other officer.

§ 6.2 Insurance

The Company may purchase and maintain insurance on behalf of an individual who is or was a director, managing shareholder, officer, employee, or agent of the Company, or who, while a director, managing shareholder, officer, employee, or agent of the Company, is or was serving at the request of the Company as a director, officer, partner, manager, member, trustee, employee, or agent of another foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him or her in that capacity or arising from his or her status as a director, officer, employee, or agent, whether or not the Company would have power to indemnify him or her against the same liability.

ARTICLE VII. CERTIFICATES FOR SHARES AND THEIR TRANSFER

§ 7.1 Certificates for Shares

(a) Content

Certificates representing shares of the Company shall at minimum, state on their face the name of the Company and that it is formed under the laws of South Carolina; the name of the person to whom issued; and the number and class of shares and the designation of the series, if any, the certificate represents; and be in such form as determined by the Board. Such certificates shall be signed (either manually or by facsimile) by the President and the Secretary and may be sealed with the Seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified.

(b) Legend as to Class or Series

The designations, relative rights, preferences, and limitations applicable to the Shareholder must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the Company will furnish the Shareholder this information on request in writing and without charge.

(c) Shareholder List

The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Company.

(d) Transferring Shares

All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Company as the Board may prescribe.

§ 7.2 Registration of the Transfer of Shares

Registration of the transfer of shares of the Company shall be made only on the stock transfer books of the Company. In order to register a transfer, the record owner shall surrender the shares to the Company for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Subject to the provisions of S.C. Code Ann. § 33-7-300 (d) (relating to shares held in a voting trust), and unless the Company has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the Company as the owner, the person in whose name shares stand on the books of the Company shall be deemed by the Company to be the owner thereof for all purposes.

§ 7.3 Acquisition of Shares

The Company may acquire its own shares, and the shares so acquired constitute authorized but unissued shares.

ARTICLE VIII. MUTUAL BUSINESS PROGRAMS

The Company, with the approval of the Board of Directors, may establish one or more Mutual Business Programs. The Company may issue Policies with respect to one or more Mutual Business Programs, provided, however, that each Policy issued for Mutual Business shall be identified in the books and records of the Company at the time of issuance as a Policy issued with respect to a particular Mutual Business Program and the name of the Mutual Business Program shall be indicated on the Policy and in the Company's books and records. Nothing contained herein shall prevent the Company from issuing Policies to a Member Insured under more than one Mutual Business Program.

- (a) The Member Insureds of any Mutual Business Program shall not be entitled to share, as Member Insureds of such Mutual Business Program or as insureds or reinsureds of the Company with respect to such Mutual Business Program, in any funds of the Company other than the funds held by the Company with respect to such Mutual Business Program and specifically identified by the Company as funds of such Mutual Business Program.
- (b) The Company shall not issue any Policy under any Mutual Business Program unless the Policy provides that:
- (1) the amount of all claims by all insureds or reinsureds of such Mutual Business Program shall not exceed the aggregate of the funds designated by the Company as funds of such Mutual Business Program;
 - (2) in the event such Mutual Business Program has insufficient funds to pay all such claims, the claims shall be reduced, as provided in the Policy, or if no such provision is made for reduction in claim amounts, in the sole discretion of the Board of Directors;
 - (3) no claim shall be made under such Policy on the assets of any Mutual Business Program other than the one under which such Policy was issued.
- (c) Any Policy issued by the Company without such provisions shall nevertheless be deemed to have such provisions and the reduction in claim amounts referred to in Subsection (b)(2) above shall be made on an equitable basis in the sole discretion of the Board.
- (d) All of the Company's profits from the business of any Mutual Business Program net of any losses and expenses from such Mutual Business Program and net of any fees chargeable by the Company for general expenses, both calculated in accordance with generally accepted accounting principles consistently applied, and any additional principles set forth in these Bylaws, shall be automatically allocated by the Company to the policyholders' surplus established with respect to such Mutual Business Program. For the purposes of these By Laws, general expenses of the Company shall include, but not be limited to, organizational expenses, a reasonable commission to the Company and extraordinary expenses not allocable to a particular Mutual Business Program. The profits from the business of the Mutual Business Program shall be used to offset any losses that the Company may have had in previous years or may have in succeeding years with respect to the Mutual Business Program. Such profits shall be available for declaration and payment of policyholder dividends to Member Insureds, which may be declared and paid at such time, to such Member Insureds and in such amounts as the Board may determine.
- (e) The Company shall maintain separate books and records for each of its Mutual Business Programs. All items of income and expense relating to each Mutual Business Program shall be recorded in these books and records, which shall be

maintained in accordance with generally accepted accounting principles consistently applied with any additional principles set forth in these Bylaws.

ARTICLE IX. ACCOUNTS

§ 9.1 Bank Accounts

Any officer of the Company may receive funds of the Company, which shall be deposited in the corporate depository, and said funds when received may be disbursed on the check of the Company, signed by the individual(s) so authorized by the Board.

§ 9.2 Accounting Records

- (a) The Board shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions, in accordance with the Act and § 38-90-80 of the S.C. Code.
- (b) The records of account shall be kept at the Principal Office and at such other place or places as the Board thinks fit, and shall at all times be open to inspection by the directors: PROVIDED that if the records of account are kept at some place outside of South Carolina, there shall be kept at the Principal Office such records as will enable the directors to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period. The Shareholder (other than an officer of the Company) shall have right to inspect any accounting record or book or document of the Company as conferred by law or authorized by the Board or by Resolution.

§ 9.3 Audits

Save and to the extent that an audit is waived in the manner permitted by the Department, auditors shall be appointed and their duties regulated in accordance with applicable law and such other requirements as the Board may from time to time determine.

ARTICLE X. DISTRIBUTIONS

§ 10.1 Distributions

The Board may authorize, and the Company may make, distributions (including dividends on its outstanding shares) in the manner and upon the terms and conditions provided by law.

§ 10.2 Reserves

The Board may, before recommending or declaring any dividend or distribution out of contributed surplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

§ 10.3 Capitalization of Profits

- (a) The Company may, upon the recommendation of the Board, at any time and from time to time pass a Resolution to the effect that it is desirable to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account or any capital redemption reserve fund and accordingly that such amount be set free for distribution to the Shareholder who would be entitled thereto if distributed by way of dividend and in the same proportions, on the footing that the same be not paid in cash but be applied either in or towards paying up amounts for the time being unpaid on any shares in the Company held by the Shareholder respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid to the Shareholder, or partly in one way and partly in the other, and the Board shall give effect to such Resolution, provided that for the purpose of this Bylaw, a share premium account and a capital redemption reserve fund may be applied only in paying up of unissued shares to be issued to the Shareholder credited as fully paid and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.
- (b) Where any difficulty arises in regard to any distribution under the last preceding Bylaw, the Board may settle the same as it thinks expedient and, in particular, may authorize any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments should be made to the Shareholder in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholder.

ARTICLE XI. CORPORATE SEAL

The Board may provide a corporate Seal which may be circular in form and have inscribed thereon any designation including the name of the Company, South Carolina as the state of incorporation, and the words “Corporate Seal.”

ARTICLE XII. EMERGENCY BYLAWS

Unless the Articles provide otherwise, the following provisions of this Article shall be effective during an emergency which is defined as when a quorum of the Company’s directors cannot be readily assembled because of some catastrophic event.

During such emergency:

(a) Notice of Board Meetings

Any one member of the Board or the President or Secretary may call a meeting of the Board. Notice of such meeting need be given only to those directors whom it is practicable to reach, and may be given in any practical manner, including by publication and radio. Such notice shall be given at least six hours prior to commencement of the meeting.

(b) Temporary Directors and Quorum

One or more officers of the Company present at the emergency Board meeting, as is necessary to achieve a quorum, shall be considered to be directors for the meeting, and shall so serve in order of rank, and within the same rank, in order of seniority. In the event that less than a quorum as determined by Article IV § 4.7 of the directors are present (including any officers who are to serve as directors for the meeting), those directors present (including the officers serving as directors) shall constitute a quorum.

(c) Actions Permitted to be taken

The Board may as constituted in paragraph (b) and after notice as set forth in paragraph (a):

- (1) Prescribe emergency powers to any officer of the Company;
- (2) Delegate to any officer or director, any of the powers of the Board;
- (3) Designate lines of succession of officers and agents, in the event that any of them are unable to discharge their duties;
- (4) Relocate the principal place of business, or designate successive or simultaneous principal places of business; and
- (5) Take any other action, convenient, helpful, or necessary to carry on the business of the Company.

ARTICLE XII. AMENDMENTS

The Board may amend or repeal any of the Company's Bylaws unless the Shareholder in adopting, amending, or repealing a particular bylaw provides expressly that the Board may not amend or repeal that bylaw, or Shareholder may amend or repeal the Bylaws even though the Bylaws may also be amended or repealed by the Board.