

By-Laws of the Surplus Lines Association of New Jersey

(January 2018 Amendment)

ARTICLE I. NAME

The name of the Association shall be: SURPLUS LINES ASSOCIATION OF NEW JERSEY, INC.

ARTICLE II. PURPOSE

Section 1.

- (a) To protect and promote the interests of Licensed Producers with Surplus Lines Authority in the State of New Jersey as well as those individuals and entities which support the surplus lines system;
- (b) To educate all producers and other market participants as to the requirements, needs and benefits of the Surplus Lines Market;
- (c) To promote and create good will within the industry on behalf of Association members;
- (d) To consult with and make recommendations to the New Jersey Department of Banking and Insurance and/or the New Jersey State Legislature on matters relating to the New Jersey Surplus Lines Law and/or other Laws or Regulations relating to the business of insurance;
- (e) To seek solutions to industry problems in cooperation with other insurance associations throughout the State, in other states, and with national insurance industry associations.

ARTICLE III. MEMBERSHIP

Section 1.

The Membership of the Association shall consist of the following categories of **Members**, as defined:

- (a) **Wholesale Producer:** a person that
 - (i) holds a New Jersey surplus lines producer license, and

- (ii) produces business originated primarily by producers with whom the Wholesale Producer is not affiliated, and
- (iii) places business with surplus lines or other specialty carriers, and
- (iv) exhibits experience in the wholesale marketplace, and
- (v) maintains an office within the State of New Jersey.

(b) **Underwriting Manager:** a Wholesale Producer that exercises underwriting authority on behalf of one or more risk bearing insurers.

(c) **Company:** an insurer or group of insurers engaged in the writing of surplus lines business through Wholesale Producers.

(d) **Producer:** a person that holds a New Jersey producer license and places business with Wholesale Producers.

(e) **Non-Resident Producer:** a Producer as in (d) above that does not maintain an office within the State of New Jersey.

(f) **Associate:** a person that does not qualify under any of the above categories but that supplies services to the insurance industry and/or supports the wholesale surplus lines system.

Categories (a), (b) and (c) shall henceforth be referred to as "**Voting Members**"

Categories (d), (e) and (f) shall henceforth be referred to as "**Non-Voting Members**"

Section 2. Dues

(a) All Members of the Association shall pay annual dues. The Board of Directors shall determine the amount of dues payable by each category of Member.

(b) The Board of Directors also may propose additional assessments from time to time for specific purposes. Such assessments shall be considered voluntary contributions to the Association unless such assessments are approved by two-thirds (2/3) of members voting at a General Meeting following notification of the membership of such proposal at least 15 days prior to the meeting at which the proposal shall be voted upon.

Section 3. Membership Privileges

(a) Each Voting Member shall have one vote. A Member firm shall designate one individual to vote on its behalf at any meeting scheduled in accordance with Article IV.

(b) The following categories of Member may serve as Directors and Executive Officers:

- (i) Wholesale Producer, and
- (ii) Underwriting Manager, and

(iii) Company.

(c) Any Voting Member has the right to bring any idea, suggestion or problem before the Board of Directors or the General Membership.

(d) Any Member may attend any meeting of the General Membership.

(e) Any Member shall have available all of the facilities and resources of the Association.

(f) Any Member shall have full use of the Association Logo.

(g) Any Non-Voting Member may serve in an advisory capacity to the Board of Directors in Accordance with Article V.

(h) Any Non-Voting Member shall have the full support of the Association.

(i) Any Non-Voting Member may offer ideas and suggestions that would be mutually beneficial, but may not propose same as motions before the Membership.

Section 4. Application for Membership

An applicant for Membership shall complete the application form prescribed by the Board of Directors. The Membership Committee shall recommend to the Board of Directors whether or not to approve the application and, if approved, for which category of Membership. Membership shall not be unreasonably withheld.

Section 5. Termination of Membership

(a) Membership in the Association will be terminated immediately upon any of the following actions by a Member:

(i) Voluntary withdrawal from the Association; or

(ii) Failure to maintain a New Jersey surplus lines producer license; or

(iii) Violation of the Code of Ethics as hereinafter set forth; or

(iv) Failure to continue to satisfy the relevant criteria under Section 1, though the Board of Directors shall have discretion to approve continued Membership under another category of Membership; or

(v) Failure to pay dues in accordance with Section 2 shall result in suspension of voting privileges for the succeeding General Meeting. Failure to pay dues prior to the next succeeding General Meeting will result in termination of Membership. A terminated member may reapply under Section 4, but no earlier than for readmission to the Membership effective for the next calendar year.

Section 6. Fiscal Year Membership Term

The fiscal year and Membership terms shall be from January 1 to December 31.

ARTICLE IV. MEETINGS

Section 1. General Membership Meetings

The General Membership shall meet at least four (4) times annually. The Annual Meeting of the Association at which elections and any other necessary business are conducted shall generally, but need not be, held in December. Other meetings shall be held approximately quarterly with suggested dates being March, June and October.

Section 2. Board of Director Meetings; Notice

The Board of Directors shall meet as necessary, but not less than four (4) times annually. The President shall attempt to arrange a schedule of meetings at the first meeting of the Board of Directors, with the consent of the members of the Board of Directors. This schedule shall be tentative and Members will be notified in writing of meetings at least seven (7) days prior to the scheduled date.

Section 3. Method of Meeting

Meetings of the Executive Committee and/or Board of Directors may be held by means of a conference telephone call or similar electronic means in which all persons participating in the meeting may hear each other at the same time. Participation in a meeting by such means shall constitute presence in person at such meeting.

Section 4. Special Meetings

Special Meetings for any legitimate reason may be called with reasonable notice to the Membership, by the President, the Board of Directors, or at the request of not less than 15% of the General Membership.

Section 5. Order of Business

At each meeting of the Board of Directors, the Board shall hear reports from the President, Treasurer and the Chairperson of each Committee.

Section 6. Quorum

(a) General Membership Meetings:

Ten (10) members, of whom not less than three (3) shall be a member of the Board of Directors, shall constitute a Quorum.

(b) Board of Directors Meetings:

Presence by 50% of the members of the Board of Directors shall constitute a Quorum, provided the President or Vice President is present. If 50% shall not be a whole number, then the next highest whole number shall be the number of members required for a Quorum.

ARTICLE V. OFFICERS AND BOARD OF DIRECTORS

Section 1. Executive Officers

The Executive Officers shall be a:

- (a) President; and
- (b) Vice President; and
- (c) Secretary; and
- (d) Treasurer.

The above Executive Officers collectively shall constitute the "Executive Committee".

Section 2. Term of Office

The term of office for each Executive Officer shall be two (2) years, effective January 1 for each duly elected office.

Section 3. Succession

No Executive Officer shall succeed herself or himself in the same office.

Section 4. Board of Directors

The Association shall be governed by a duly elected Board of Directors, which shall consist of the following:

- (a) The Executive Officers;
- (b) The immediate Past President, who shall be an ex-officio member of the Board of Directors and may bring business before the Board, but may not vote in its decisions;
- (c) At least three Voting Members of the Association, whose term shall be for a period of two (2) years;
- (d) At the discretion of the Board of Directors, the President, with majority approval of those Board Members present, may appoint additional Non-Voting Members. The term of office shall be one (1) year. These persons may bring business before the Board, but may not vote in its decisions;

e) A Non-Voting Member of the Association, whose term shall be for a period of two (2) years and may bring business before the Board, but may not vote in its decisions.

Section 5. Number of Representatives on the Board

No Member shall have more than one (1) elected representative on the Board of Directors.

Section 6. Composition

At least one (1) member of the Board of Directors shall be either an Underwriting Manager and/or a Company. At all times, Wholesale Producers shall represent the majority of the Board of Directors.

Section 7. Advisor to the Board of Directors

One Member of the "Non-Voting" Membership shall be elected by the Nominating Committee to serve as an observer and advisor to the Board of Directors. Said Member may bring business before the Board, but may not vote in the Board's decisions. Said Member shall serve for a period of two (2) years, and shall not succeed himself or herself.

Section 8. Approval of Expenditures; Policy Decisions

It shall be the duty of the Board of Directors to review and evaluate all matters of interest to the Association and to present those of merit to the General Membership for final vote and/or approval. The Board of Directors shall have the right and duty to conduct the normal business of the Association and to approve all net expenditures of the Association's funds up to \$5,000 without the prior approval of the General Membership. As respects expenditures for the purpose of conducting regular, periodic and annual functions, the \$5,000 limitation shall not apply. The Board of Directors shall make no decision affecting the policy of the Association without the approval of the General Membership.

Section 9. Executive Director

The Board of Directors shall appoint an Executive Director whose duties shall be to assist the President and Directors and to assist in the general operation of Association business. This appointment shall be by majority vote of the Board of Directors. Compensation of the Executive Director shall be determined annually by the Board.

Section 10. Employees

The Board of Directors may hire other employees to help run the Association's affairs.

Section 11. Indemnification

The Association shall indemnify its current and former Directors, Executive Officers and Executive Directors, against expenses actually and necessarily incurred by them in

connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been a Director, Executive Officer or Executive Director of the Association, except in relation to matters as to which any such Director, Executive Officer or Executive Director shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled, under any By-Law, agreement, vote of the membership, or otherwise.

ARTICLE VI. DUTIES OF OFFICERS

Section 1. President

The President shall preside at all General Meetings of the Association, and all meetings of the Board of Directors and the Executive Committee. S/he shall be the administrative head of the Association and shall direct its affairs under the direction and control of the Board of Directors. S/he shall appoint all Committee Chairs upon his/her election to office. S/he shall direct the Chair of each Committee of the duties and responsibilities of the Committee and the number of members to serve on the Committee. S/he shall be a member, ex officio, of all Committees. The President shall only vote on matters before the Board of Directors or the General Membership where said vote shall serve to change the result of the vote taken.

Section 2. Vice President

The Vice President shall preside at meetings in the absence of the President and shall serve on a bi-annual basis as Chairman of the Auditing Committee, which Committee shall be responsible for review of the books of the Association and the preparation of an Audit Report to be submitted to the Board of Directors for approval.

Section 3. Secretary

The Secretary shall make proper record of the proceedings of the Association and conduct its correspondence, assume responsibility for the handling of ballots at the time of elections and proper notification of all Members as to the result. S/he shall also be responsible for meeting arrangements and notice thereof.

Section 4. Treasurer

The Treasurer shall receive and account for all monies due to, and payable by, the Association. Disbursements shall be made with proper authority. S/he shall bill and collect for dues and all other amounts, such as dinner and sponsor costs. S/he shall maintain accurate records, subject to audit by the Audit Committee and the Board of Directors.

Section 5. Attendance at Meetings

If an Executive Officer or Director shall miss two (2) consecutive General Membership meetings or two (2) consecutive Board of Directors meetings, without an excuse approved by the Executive Committee, his/her term in office shall be automatically terminated. The President shall so notify the Executive Officer or Director by Certified Mail, return receipt requested, and termination shall take effect ten (10) days from receipt thereof.

Section 6. Vacancies

(a) Procedure. In the event of a vacancy in any of the Executive Officer or Director positions, except President, the vacancy shall be filled by majority vote of the Board of Directors. The Vice President shall fill a vacancy in the President position, unless a majority of the Board of Directors shall approve another Executive Officer to fill that position, and the position to be filled shall be that of the Executive Officer that fills the position of President.

(b) Term. A Director appointee shall serve until the next General Meeting, at which time a nominee selected by the Nominating Committee in accordance with Article VII shall be elected to serve the unexpired term, or such longer term as may be approved by a majority of the Board of Directors. A person who fills the position of President and the appointee for a vacated position of an Executive Officer who fills the position of President shall serve for the balance of their respective terms, or such other term(s) as may be approved by a majority of the Board of Directors.

ARTICLE VII. NOMINATIONS AND ELECTION OF OFFICERS & BOARD OF DIRECTORS

Section 1. Nominating Committee

A Nominating Committee shall be appointed by the President and shall consist of three (3) members, at least one of which shall not be an Executive Officer or a Director. The President shall appoint a Nominating Committee Chairperson.

Section 2. Preparation of a Slate of Officers

The Nominating Committee shall prepare a slate of candidates for the bi-annual election of Directors and Executive Officers. The slate shall consist of four (4) Executive Officers, three (3) Voting Members, and one (1) Non-Voting Member. The Nominating Committee shall endeavor to select representatives from the various geographical parts of the State. The Nominating Committee shall further be responsible for selecting and nominating the Association's Honoree for the Annual Honoree Dinner. The slate of candidates shall then be submitted to the Board of Directors for their review and acceptance. Once the slate of candidates has been accepted by the Board of Directors, the Chairperson of the Nominating Committee shall contact these individuals for their acceptance. If a candidate

does not accept, the Chairperson will consult with the members of the Nominating Committee to select a suitable replacement.

Section 3. Presentment to the General Membership

The slate of Executive Officers and Directors shall be presented to the General Membership in writing at least forty-five (45) days prior to the Annual Meeting. Any member not so nominated but desirous of office may have his or her name placed in nomination by written notice to the Nominating Committee c/o the Executive Director at least thirty (30) days prior to the Annual Meeting.

Section 4. Time and Location of Election

The election will take place at the Annual Meeting, and the nominee for each Executive Officer and Director position with the highest vote shall be declared elected. A closed ballot will only be required if requested by any Member of the Association.

Section 5. Effective Date of Office

The newly elected Executive Officers and Directors shall be installed immediately following their election and shall assume the respective offices as of January 1 of the succeeding year.

ARTICLE VIII. COMMITTEES

Section 1. Standing Committees

The Standing Committees of the Board of Directors are:

- (i) Membership/Sponsorship; and
- (ii) Meetings/Events; and
- (iii) Legislative/Regulatory and Communications; and
- (iv) Education; and
- (v) Past Presidents.

Section 2. Audit Committee

The President shall appoint on a bi-annual basis an Auditing Committee Chaired by the Vice President that shall be responsible for review of the books and records of the Association. Such Committee shall be required to perform an audit of the Association at least once every two (2) years.

Section 3. Other Committees

The President may establish any other Committee appropriate for conducting the business of the Association. Members of the Board of Directors may also request the formation of Committees for specific purposes.

Section 4. Chairpersons; Responsibilities

(a) The President shall, with the advice and consent of the Board of Directors, appoint a Chairperson of each Committee, who shall appoint members of his/her Committee.

(b) Responsibilities of each Committee Chairperson shall include the preparation, at least annually, of a written proposal of action to be taken by their Committee, which proposal shall be submitted to the Board of Directors for approval by no later than February 15.

ARTICLE IX. AMENDMENTS

Section 1. Changes to the By-Laws

Any Voting Member in good standing may propose change(s) to the By-Laws. Change(s) must be proposed in writing to the Board of Directors. The Board of Directors will review the proposed change(s) and advise the Membership of such proposal with its recommendations. Such advice to the General Membership will be in any form of writing, including electronic mail, sent to all members at least fifteen (15) days prior to the meeting at which such change(s) will be presented. The General Membership will vote at said meeting as to whether or not to approve the change(s), based on the recommendation of the Board of Directors. If authorized by a two-thirds (2/3) vote of the Board of Directors, such changes shall become effective upon a majority vote of the General Membership, which can be conducted by electronic means.

Section 2. Special Meeting

As per Article IV, the President or the Board of Directors may call for a Special Meeting of the General Membership to consider such proposed change(s) to the By-Laws, or may present the proposed changes at a regularly scheduled General Membership meeting.

Section 3. Approval

Passage of such changes shall require a two-thirds (2/3) majority of all Members present and voting. If passed, the Secretary shall cause to have revised copies of the By-Laws incorporating the change(s) issued and forwarded to all Members and posted to the Association's website.

ARTICLE X. CONDUCT OF MEETINGS

All Meetings shall be conducted in accordance with Robert's Rules of Order.

ARTICLE XI. CODE OF ETHICS

Every Member agrees:

- (a) To maintain high professional standards of efficiency, conduct, integrity, responsibility and service; and
- (b) To exercise the utmost good faith in dealing with his/her principals, underwriters and assureds; and
- (c) To refrain from maintaining or using the status of profession or his/her affiliation with this Association to attract business for personal financial gain in other lines of endeavor; and
- (d) To refrain from maintaining or using his/her affiliation with this Association as a means of taking unfair advantage of those in competition with himself or for any other purpose than for which this Association is intended; and
- (e) To regard the business of insurance as an unusual opportunity for essential services to the public and to conduct himself/herself with dignity, courtesy and the highest degree of fairness in his/her relations with members of the insurance industry and the public at large; and
- (f) To be governed by a spirit of cooperation, helpfulness and frankness in his/her relationship with fellow members to the end that s/he and they shall be better equipped through such cooperative measures and exchange of ideas to better perform and function and to foster the advancement and prestige of their profession.