

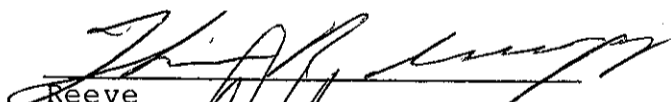
A BYLAW OF THE RURAL MUNICIPALITY OF PAYNTON NO. 470, IN THE PROVINCE OF SASKATCHEWAN, REQUESTING THE APPROVAL OF THE LOCAL GOVERNMENT BOARD FOR AN AGREEMENT ENTERED INTO BETWEEN THE RURAL MUNICIPALITY OF PAYNTON NO. 470 AND THE SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES.

WHEREAS the Council of the Rural Municipality of Paynton No. 470 has by resolution, entered into an agreement with the Saskatchewan Association of Rural Municipalities dated October 1st, 1986, for the purpose of providing liability insurance coverage for the municipality, and whereas the agreement is conditional upon the Rural Municipality of Paynton No. 470 obtaining Local Government Board approval as to its term and conditions:

THEREFORE the Council of the Rural Municipality of Paynton No. 470, in the Province of Saskatchewan, enacts as follows:

1. The agreement hereto attached and identified as Schedule "A" to this Bylaw and executed by the Reeve and Administrator shall be submitted to the Local Government Board for approval.

2. The said agreement shall on approval of the Local Government Board and upon final passage of this bylaw, become binding on the parties thereto.

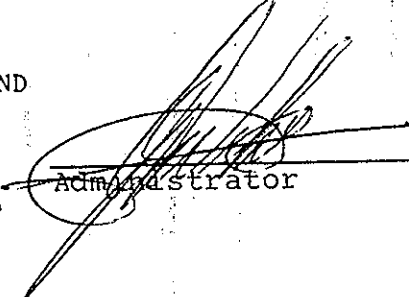

Reeve


Administrator

Certified a true copy of Bylaw No. 2-86,
adopted by resolution of Council on the
1st day of October, 1986


Administrator

THIS IS SCHEDULE "A" AS ATTACHED TO AND
FORMING PART OF BYLAW NO. 2-86
~~470~~


Administrator

SELF-INSURANCE PLAN AGREEMENT

Between:

Saskatchewan Association of Rural Municipalities
("S.A.R.M.")

and

Rural Municipality of PAYNTON, No. 470,
a member of S.A.R.M. ("the Member")

WHEREAS:

- a) S.A.R.M. wishes to offer to its members an insurance plan providing comprehensive general liability coverage and errors and omissions coverage;
- b) The Member wishes to participate in such a plan as an insured and as an insurer;

NOW THEREFORE, in consideration of the terms and conditions of this agreement, the parties agree as follows:

1. The Plan

S.A.R.M. shall operate a plan on behalf of its members to provide comprehensive general liability and errors and omissions liability insurance benefits to participating municipalities. The plan shall be called the Saskatchewan Association of Rural Municipalities Self-Insurance Plan ("the Plan").

2. Initial Application

- a) Only municipalities which are members of S.A.R.M. are eligible to apply to participate.
- b) A municipality wishing to participate at any time during the 1987 calendar year policy period (January 1, 1987 to January 1, 1988) shall deliver two executed copies of this agreement to S.A.R.M. no later than November 30, 1986.
- c) A municipality participating during the 1987 calendar year policy period will be assessed for the annual premium in proportion to the number of days it requires insurance coverage.

**

DATE INSURANCE COVERAGE IS TO BEGIN: 22/03/87

- d) A municipality wishing to apply to participate in any year or part thereof after 1987 shall deliver two executed copies of this agreement to S.A.R.M. no later

than three (3) months before coverage is to commence. Such a municipality will be required to pay a late joining fee of \$1,000.00 in addition to all other premiums, contributions and levies. The annual premium will be pro-rated in proportion to the number of days insurance is required. The late-joining fee, pro-rated premium and the first year's contribution (not pro-rated) are payable no later than 30 days after insurance coverage begins.

3. Annual Premium

- a) S.A.R.M. shall send to each applicant municipality an invoice for the premium to be paid for coverage for the following year
 - i) in the initial year, after receipt of the executed copies of this agreement or
 - ii) in any subsequent year, on or before November 30.
- b) The Member agrees to pay its premium on or before February 15 in any year for coverage in that year, unless paragraph 2(d) applies.
- c) The premium shall be based on a formula of a basic fee, and a variable fee based on the member's assessment, population, and road mileage.
- d) The S.A.R.M. Board of Directors ("the S.A.R.M. Board") shall have the power to increase or decrease the total premiums charged, to vary the proportion of the premium attributable to fixed and variable fees, and to change the rate basis for the premium for each year the Plan is in operation, based on the estimated costs of operation for the year.

4. Management of the Operating Fund

- a) The operating fund will be financed by annual premiums received under paragraph 3. It will be the primary source of funds for administration expenses and payment of claims.
- b) S.A.R.M. may invest the money not immediately required for operations, but only in the investments permitted under section 81 of The Saskatchewan Insurance Act.
- c) S.A.R.M. shall in each year transfer the operating surplus (its net profit from operations for that year, less a reasonable reserve for anticipated expenses) to the reserve fund of the Plan.

5. Establishment of Reserve Fund

- a) A reserve fund will be established by contributions from each participating municipality in each of the first three years after its application is accepted.
- b) The Member agrees to pay a contribution equal to three times the premium assessed against it for that year, in each of the first three years after its application is accepted, even if the Member subsequently terminates its insurance or withdraws from the Plan.
- c) S.A.R.M. shall send to each applicant municipality an invoice for any contribution required to be paid for the following year
 - i) in the initial year, after receipt of the executed copies of this agreement or
 - ii) in any subsequent year, on or before November 30.
- d) The Member agrees to pay the contribution on or before February 15 in each of the first three years after its application is accepted, unless paragraph 2(d) applies to the first year's contribution.

6. Management of the Reserve Fund

- a) S.A.R.M. will invest the money in the reserve fund only in the investments permitted under section 81 of the Saskatchewan Insurance Act and according to guidelines set by the S.A.R.M. Board.
- b) S.A.R.M. will establish a "ledger account" for each participating member to record
 - i) its contributions to the reserve fund,
 - ii) its proportionate share of withdrawals from the reserve fund for payment of administration expenses and claims,
 - iii) its proportionate share of investment income earned, and
 - iv) its proportionate share of the operating surplus transferred to the reserve fund.
- c) The Member acknowledges that, notwithstanding paragraph 6(b), it has no property rights whatsoever in the reserve fund and that all of the reserve fund is available to S.A.R.M. for payment of administration expenses and claims. It has only a right, subject to the preceding sentence, to receive from S.A.R.M., under the circumstances outlined in this agreement, those amounts of money outlined in this agreement as

calculated by S.A.R.M. according to this agreement, and a right to receive a statement as to its ledger account from time to time.

d) In calculating a member's proportionate share, S.A.R.M. shall use the following formulas:

i) for withdrawals from the reserve fund for payment of administration expenses and claims, that proportion of the total withdrawal required which the member's premiums assessed for the year in which the withdrawal is made is to the total premiums assessed for all members for that year,

i.e:

$$\frac{\text{Member's premium, year of withdrawal}}{\text{Total premiums, year of withdrawal}} \times \text{Amount Required}$$

ii) for operating surplus transferred to the reserve fund, that proportion of the total surplus transferred which the member's premium assessed for the year in which the surplus was transferred is to the total premiums assessed for all members for that year,

i.e:

$$\frac{\text{Member's premiums, year of transfer}}{\text{Total Premiums, year of transfer}} \times \text{Amount Required}$$

iii) for investment income earned in the reserve fund, that proportion which the member's premium assessed for the year in which the income was earned is to the total premiums assessed for all members for that year,

i.e:

$$\frac{\text{Member's premiums for the year}}{\text{Total Premiums for the year}} \times \text{Investment income}$$

7. Borrowing

a) If the funds of the Plan become depleted before the end of any year, the Plan may draw on the funds of S.A.R.M. in an amount agreed upon by S.A.R.M. The Plan shall repay to S.A.R.M. any such draws out of the next premiums payable by the members, together with interest at S.A.R.M.'s bank interest rates in effect during that period.

b) If authorized by the S.A.R.M. Board, S.A.R.M. may borrow in accordance with its incorporating act and bylaws for the purposes of the Plan.

8. Special Levy

a) If:

- i) the funds of the Plan become depleted in any year; or
- ii) it becomes necessary to build up the reserve fund at a rate greater than that contemplated under paragraph 5(b) of this agreement,

the S.A.R.M. Board may direct that a special levy be made on each municipality

- i) which was insured under the Plan in the policy period or periods during which the expenses were incurred or the claim or claims which depleted the funds of the Plan arose, or
- ii) which is insured under the Plan in the policy period or periods in which it becomes necessary to increase the rate of build-up of the reserve fund.

b) In paragraph 8(a)(i) and elsewhere in this agreement the policy period in which the claim "arose" is deemed to be the calendar year in which an occurrence (as defined in the insurance policy) resulting in a claim took place, rather than the calendar year in which the claim was made.

c) A municipality is liable to be assessed for and to pay its proportion of a special levy made after it withdraws from the Plan as an insured, if the levy relates to expenses incurred or claims arising out of an occurrence during the policy period when the municipality was participating in the Plan. The municipality is liable only for that part of the levy attributable to expenses incurred and occurrences taking place during the policy period(s) in which the municipality was a member of the Plan. (For greater certainty, "policy period" refers to the full calendar year and not just that portion of the year when the member was insured under the Plan.)

d) In calculating a member's proportionate share of the special levy, S.A.R.M. shall take that proportion of the total levy required with respect to any given year which the member's premiums assessed for the year with respect to which the levy is made is to the total premiums assessed for all members in that year.

i.e:

$$\frac{\text{Member's premium, year for which levy made} \times \text{Levy Required}}{\text{Total Premiums, year for which levy made}}$$

- e) The levy shall be paid within thirty (30) days after the date of payment specified in the notice of levy, whether or not the member is participating in the Plan.

9. Automatic Renewal of Policy

- a) The policy insuring the member shall be renewed automatically from year to year after the expiry of the initial policy period. The terms and conditions of the insurance policy shall remain unchanged, unless notified to the participating municipalities in accordance with paragraph 11(b).
- b) A member may, subject to its obligations under this agreement and in particular under paragraph 11, terminate its insurance policy on written notice to S.A.R.M., delivered at or sent by registered mail to S.A.R.M.'s head office. The member is liable for the pro rata premium for the expired time until notice of termination is received. S.A.R.M. shall refund the excess of the annual premium actually paid by the member over the pro rata premium for the expired time.

10. Forfeiture - Penalties

- a) Neglect or refusal by a Member to pay the premium, the contribution, the levy or any other amounts due under the Plan by the date specified for payment shall:
 - i) cause the policy to automatically lapse, upon S.A.R.M. giving the notice referred to in paragraph 13(b);
 - ii) give S.A.R.M. the right to sue for and recover the amount due as a simple debt.
- b) The policy shall be re-instated by S.A.R.M. on payment of the amount due, plus interest at current bank rates paid by S.A.R.M., plus an administrative penalty of \$500.00.

11. Withdrawal from the Plan

- a) A municipality may withdraw from the Plan upon compliance with the following conditions:
 - i) It has paid all premiums, contributions, levies and other amounts due under the Plan.

- ii) It confirms in writing its obligation to pay any contributions required under paragraph 5(b) as they come due and any levies made for which it is or becomes liable under paragraph 8.
 - iii) It discloses all claims or potential claims against it of which its council is aware.
 - iv) It gives written notice of its intent to withdraw to S.A.R.M., delivered at or sent by registered mail to S.A.R.M.'s head office.
- b) S.A.R.M. is entitled to retain all or a portion of the municipality's ledger account in the reserve fund
- i) to cover the municipality's share of claims and expenses outstanding as of the date of withdrawal, or
 - ii) to cover any contributions to come due in the future and any levies to be made in the future against it according to paragraph 8(c). At S.A.R.M.'s option, it may accept the municipality's written undertaking to pay such future obligations.

12. Changes to the Plan by S.A.R.M.

- a) The S.A.R.M. Board has the power to change the terms and conditions of the Plan, including this Agreement and the insurance policy from time to time as it considers necessary.
- b) S.A.R.M. shall notify participating municipalities of any such change on or before November 30 in any year. Upon notification, the change shall take effect January 1 of the following year and thereafter this agreement or the insurance policy shall be modified accordingly.
- c) Except as provided in paragraph 12(d), S.A.R.M. has no power to change the terms and conditions of this Agreement or the insurance policy within a policy period.
- d) S.A.R.M. shall comply with any applicable law, regulation or licensing requirement of the Superintendent of Insurance under the Saskatchewan Insurance Act and the municipality agrees that any provision of this agreement or the policy of insurance issued under the Plan may be changed by S.A.R.M. in order to comply therewith.

13. Termination by S.A.R.M.

- a) The S.A.R.M. Board, on a two-thirds majority vote, may terminate a policy or this agreement or both. This is in addition to S.A.R.M.'s power under paragraph 10 to terminate a member's policy of insurance for non-payment of any premium, contribution or levy.
- b) In any termination, S.A.R.M. shall give the member fifteen days' notice by registered mail or five days' written notice of termination personally delivered.
- c) S.A.R.M. shall refund the excess of the annual premium actually paid by the member over the pro rata premium for the expired time.
- d) S.A.R.M. may retain the balance of the sum credited to the member's ledger account in the reserve fund until all claims outstanding against the Plan as of the date of termination have been paid or settled, and shall diligently refund to the member such sum in convenient instalments as the claims are paid or settled.

14. S.A.R.M. may distribute to the members such sums as in the judgment of S.A.R.M. are proper and justifiable and no longer required by the Plan and for this purpose, may apply amounts credited to a member's ledger account to the payment of the member's annual premium.

15. S.A.R.M. may make arrangements with any insurer for the re-insurance of a risk or any portion thereof and may accept re-insurance of a risk or any portion thereof from any insurer on such conditions with respect to the rate and payment of premiums thereon as may be agreed upon.

16. Surcharge - Unpaid Claims

S.A.R.M. shall charge a member with a \$100 unpaid claims surcharge for administrative expense for each claim made against the policy, other than a claim under Coverage D, which it is not required by a court of competent jurisdiction to pay and which it does not pay. Notice of the surcharge shall be sent at the time the invoice for the annual premium is sent and is due on February 15, of the following year.

17. Accounting and Administration


- a) The Plan funds shall be kept separate and apart from the money of S.A.R.M. Separate accounting records shall be kept by S.A.R.M. A full accounting, including audited financial statements for the preceding year, shall be made to the annual convention of S.A.R.M. each year.

b) The S.A.R.M. Board may determine the amount of administration expense incurred by S.A.R.M. which is properly attributable to the operation of this Plan.

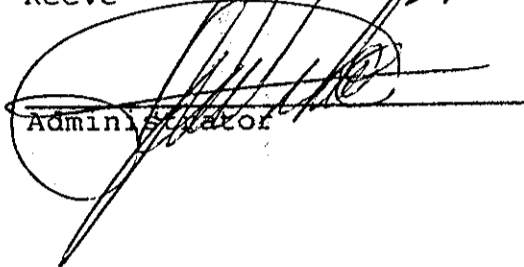
18. This agreement is subject to approval of the Local Government Board.

SIGNED on behalf of the Member, this 1 day of OCTOBER, 1986, by:

(Seal)



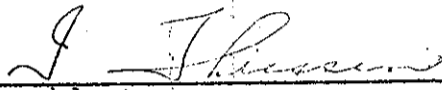
Reeve



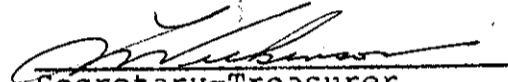
Administrator

ACCEPTED on behalf of S.A.R.M. this 17th day of December, 1986, by:

(Seal)



President



Secretary-Treasurer