

PLAN OF OPERATION
AND
ARTICLES OF AGREEMENT
FOR
SOUTH CAROLINA WIND AND HAIL UNDERWRITING ASSOCIATION

PART I

PLAN OF OPERATION

The South Carolina Wind and Hail Underwriting Association has been established in accordance with Section 38-75-310, et seq, of the Code of Laws of South Carolina, 1976, as amended, to provide a method whereby wind and hail insurance may be obtained more easily and equitably in the coastal areas of the State of South Carolina.

Section I -- Purpose of South Carolina Wind and Hail Underwriting Association.

1. To provide an adequate market for wind and hail insurance coverage which is necessary to the economic welfare of the coastal areas of South Carolina in order to insure orderly growth and development.
2. To provide adequate wind and hail insurance in the coastal area which is necessary to enable owners of homes and commercial property to obtain financing for the purchase and improvement of that property.
3. To provide an equitable method whereby every licensed insurer writing Fire and Extended Coverage, Homeowners, Mobile Homeowners, and Commercial Multiple Peril Package policies in South Carolina is required to meet this responsibility.

Section II -- Definition of Terms

1. "Association" means the South Carolina Wind and Hail Underwriting Association.
2. "Coastal Area" means beach, island, and waterfront areas designated "beach territory" as defined in Section 38-75-310 (5) of the Code of Laws in South Carolina.
3. "Consumer's Representative" means the Member of the Board appointed by the South Carolina Director of Insurance under the provisions of Section XI.
4. "Essential Property Insurance" means insurance against direct wind and hail loss to property as defined and limited in the wind and hail insurance policy and forms as approved by the South Carolina Department of Insurance. At the request of the applicant / insured, Additional Living Expenses, Fair Rental Value, or Loss of Business Income may be purchased provided that the Association is insuring the direct coverage. These coverages are defined and listed in the wind and hail insurance policy and forms as approved by the Director of Insurance.
6. "Inspection Bureau" means the Insurance Services Office, Inc. or other organization designated by the Association to make reviews as provided under the Plan of Operation and to perform such other duties as may be authorized by the Association.

7. "Insurable Property" means immovable property at fixed locations in coastal areas of the State as hereinafter defined, or tangible personal property located therein, which property is determined by the Association to be in an insurable condition as determined by reasonable underwriting standards, but not to include farm or manufacturing property, or motor vehicles which are eligible to be licensed for highway use.

8. "Insurer" means any private insurance company authorized to write and to engage in writing property insurance within South Carolina on a direct and statewide basis, but excluding insurers whose writings are limited to property wholly owned by parent, subsidiary or allied organizations.

9. "Location" means real or personal property consisting of and contained in a single building or consisting of or contained in contiguous buildings when rated as one risk by the Association.

10. "Net Direct Premiums" means gross direct premiums (excluding reinsurance assumed and ceded) written on property other than farm or manufacturing in South Carolina for Fire and Extended Coverage insurance, including the Fire and Extended Coverage components of Homeowners policies, Mobile Homeowners policies, and Commercial Multiple Peril Package Policies, less return premiums upon canceled contracts, dividends paid or of premium deposits.

11. "Plan of Operation" means the plan of operation promulgated by the Association and approved by the Director of Insurance implementing a wind and hail insurance risk apportionment plan as required by the South Carolina Code of Laws.

12. "Producer's Representative" means a Member of the Board appointed by the Director of Insurance under the Provisions of Section XI.

Section III -- Reviews and Reports

1. Any person having an insurable interest in insurable property located in the coastal area of South Carolina may be entitled to apply to the Association for Essential Property Insurance and for a review of the property by the Inspection Bureau. Such application shall be submitted on forms prescribed by the Association and shall be made on behalf of the applicant by a producer authorized by him. The applicant must demonstrate in writing that he has been unable to obtain such insurance in the normal market and that there is no unpaid premium due from the applicant for prior insurance on the property.

2. The manner and scope of the review shall be prescribed by the Association.

3. The Inspection Bureau shall be provided full access to the building by the applicant or his authorized representative, but the presence of the owner of a building may not be required for a tenant seeking insurance.

4. A review report may be made for each property reviewed. The report shall cover pertinent structural occupancy features as well as the general condition of the building. A photograph of the property may be taken during the review.

5. After the review, a copy of the completed review report (and any photograph) indicating the pertinent features of the building, construction, maintenance, and occupancy, shall be sent to the Association. Included with the report, when applicable, shall be a rate make-up statement reflecting the current rate, including any condition charges or surcharges imposed in conformity with rating plans approved by the Director of Insurance. The rates, rating plans and

rating rules applicable to the insurance written by the Association shall be those approved for use of the Association by the Director of Insurance. Surcharges may be used as approved by the Director of Insurance. Rates may include rules for classification of risks insured hereunder and rate modifications thereof.

6. All reports of reviews performed by or on behalf of the Association shall be made available to the members of the Association, applicants, producers and the Director of Insurance upon request.

Section IV -- Procedure

1. The Association shall, after receipt of the application, advise the producer or applicant that:

a. The risk is acceptable. A policy's effective date and waiting period are as follows:

(1) New policy (no title transfer) -- The effective date of a new policy shall be 12:01 a.m. local time on the sixteenth calendar day after the application is received and the presentment of premium in the SCWHUA office. (Example: An application received on April 3 would become effective 12:01 a.m. on April 19.)

(2) New policy (transfer of title) -- The Association shall develop separate procedures to handle loan closings / transfers of ownership.

(3) The effective date and the waiting period for a new coverage or an increase in limits on a policy in force shall be 12:01 a.m. (local time) on the sixteenth calendar day following the date of the change request and the presentment of the additional premium, or on such later date set by the insured to conform with the reason for the change; or

(4) Policy Rewrite -- The effective date of a rewrite policy shall be the expiring policy's expiration date. The rewrite application and presentment of premium must be received in the SCWHUA office no later than five days after the expiring policy's expiration date. If the application and premium are received more than five days after the expiring policy's expiration, the effective date shall be 12:01 a.m. local time on the sixteenth calendar day following receipt.

b. the risk is not accepted but will be acceptable if improvements noted in the action report are made by the applicant and confirmed by further review; or

c. the risk is not acceptable for the reasons stated in the action report.

2. In the event a risk is declined because it fails to meet reasonable underwriting standards, the Association shall notify the applicant or his designated representative. Reasonable underwriting standards shall include, but not be limited to the following:

a. The amount of insurance requested together with other insurance is within reasonable relationship to the actual cash value of the property involved;

b. physical condition of the property, such as its construction, maintenance or general deterioration;

- c. its present use or housekeeping;
- d. violation of law, public policy, morals, and the character or integrity of the property owner or occupant.

3. Any structure commenced on or after September 15, 1971, not built in substantial compliance with the most recent building code, adopted by the Building Codes Council as referenced in Section 6-9-50, or the approved building code in existence at the time of construction or the standards, promulgated under the National Manufacturing Housing Construction Standards and Safety Act, including the design-wind requirements in it, is not an insurable structure and shall not be an insurable risk.

4. In any case where a risk, not accepted because the property does not meet reasonable underwriting standards, can be improved to meet such standards, the Association shall promptly advise the applicant what improvements, noted in the action report, should be made to the property to make it acceptable. Upon notice to the Association of completion of such improvements, the Association shall promptly arrange to have the property further reviewed and if, after such further review, the property is found insurable, the Association shall upon receipt of the full amount of the premium issue a policy.

5. If the review of the property reveals the existence of substandard conditions, charges shall be applied in conformity with rating plans approved by the Director of Insurance.

6. If the risk is declined, or the applicant is notified that coverage will be written if stated improvements are made, the Association shall send copies of the review and action reports to the applicant advising him of his rights to appeal and the procedure thereof.

Section V -- Placement of Insurance

1. Upon approval by the Association of an application for insurance and upon receipt within 30 days by the Association of the full amount of the required premium, the Association shall issue a policy of insurance.

- a. Payment shall be made by:
 - (1) Agency check
 - (2) Electronic check from the agency account or an electronic check from an approved premium finance company

2. The Association shall provide for all interests at one location an amount of insurance up to the reasonable insurable value of the property not in excess of \$1,300,000 for one to four family dwellings including mobile homes or \$2,500,000 per location for all other eligible classes of insurable property. Excess insurance shall not be permitted until the maximum insurance under the Plan has been purchased, and thereafter excess insurance may be purchased and shall be included for the purpose of meeting any coinsurance requirement. In the event that the reasonable insurable value of such property exceeds the maximum amounts set forth above and excess insurance to reasonable value is not purchased, the Association may waive the coinsurance requirements and charge a rate on a negotiated basis in accordance with procedures subject to review and approval by the Insurance Department.

Section VI -- Policy Provisions

1. All policies issued shall be for Essential Property Insurance on standard policy forms or such forms otherwise approved for use under the plan and shall be issued for a term of one year.

2. Any policy issued pursuant to the provisions of the Plan shall be re-written annually, upon application therefor, so long as the property meets the definition of "Insurable Property" and reasonable underwriting standards. There shall, however, be no obligation on the part of the Association to provide for automatic re-writing.

Section VII -- Cancellation & Renewals

1. Cancellation by the Association shall be limited to:
 - a. non-payment of premium; or
 - b. misrepresentation of any material fact either before or after loss; or
 - c. cause which would have been grounds for non-acceptance of the risk under the Plan of Operation had such cause been known at the time of acceptance; or
 - d. cause arising subsequent to a review which would have been grounds for non-acceptance of the risk under this Plan of Operation had such cause existed at the time of acceptance; or
 - e. substantial breaches of contractual duties, conditions, or warranties.

2. Notice of cancellation shall be sent to the insured, the produce, and identified mortgagees. Such notice shall be accompanied by a statement explaining that the insured has a right of appeal as hereinafter provided.

3. The cancellation by the Association shall be made by notice mailed to the broker and insured and identified mortgagees at the mailing address shown in the Declaration. Proof of mailing shall be sufficient proof of notice for the cancellation.

Written notice of cancellation shall be at least thirty (30) days before the date cancellation takes effect except where the reason for cancellation is for non-payment of premium in which case notice for cancellation shall be for at least ten (10) days before the cancellation takes effect. The premium for the period from the date of cancellation will be refunded on a pro-rata basis.

4. The Association write policies only for a one-year period and renewal may not be made unless appropriate application is completed and furnished to the Association by the broker. There is no provision for term privileges or renewal plan since a rewrite can only be accomplished through use of the application.

Section VIII -- Appeals

1. Any applicant for insurance and any person insured under the Plan of Operation or any affected insurer may appeal in writing to the Board of Directors within twenty days after any ruling, action or decision of the Association, or the Inspection Bureau. The Board or an Appeals Committee designated by the Board shall hear and determine such appeal. Within twenty days of receipt of the notice of appeal, the Association shall acknowledge the receipt of the appeal and propose a mutually convenient time for the appeal to be reviewed. Such determination may, within 30 days after such ruling, be appealed to the Director of Insurance.

2. Orders or decisions of the Director of Insurance may be appealed as is provided by the provisions of the insurance laws of South Carolina.

Section IX -- Underwriting Association

1. Every insurer shall be a member of the Association and shall remain a member of the Association so long as the Association is in existence as a condition of its authority to continue to transact the business of insurance in South Carolina.

2. The Association shall on behalf of its members be authorized to issue policies or certificates of insurance to applicants. It is also authorized to purchase reinsurance on behalf of its members, provided such reinsurance is authorized by a majority of the Directors. The Board of Directors of the Association (Board) shall establish, implement, and maintain procedures for an open, competitive process for the acceptance and cession of reinsurance.

- A. The Board can comply with this requirement by utilizing an open, competitive process to obtain a broker to provide reinsurance coverage.
- B. The competitive procurement shall be governed exclusively by procedures prescribed by the Board.
- C. Written responses to the Association's request for proposals (RFP) shall be evaluated on factors stated below, listed in relative order of importance with the most important listed first:
 - 1. Qualifications and experience of Lead Broker and the Broker Firm;
 - 2. Capacity and ability to service Association reinsurance needs, including modeling and analytical capabilities, work with other property plans, other catastrophe programs placed by the broker, creative approaches to the reinsurance program, and existing reinsurer relationships;
 - 3. Services the broker expects to provide to the Association;
 - 4. Regulatory issues, E&O insurance and claims filed under E&O insurance within the past five (5) years;
 - 5. Price including cost and / or fee structure;
 - 6. Other value added services.
- D. The relative importance of the evaluation of the factors shall be stated in the RFP.
- E. The evaluation factors shall be included on the selection committee members' evaluation forms for their use when evaluating the proposals.

3. Each member of the Association shall participate in the writings, expenses, profits and losses in the proportion that the net direct premiums of such member written in the State during the preceding calendar year bear to the aggregate net direct premiums written in the State by all members of the Association. The Commission shall certify to the Association, after review of annual statements, other reports, and any other statistics it shall deem necessary, the aggregate net direct premiums written by all members. However, a member shall annually receive credit for Essential Property Insurance voluntarily written in the coastal area and its participation in the writings of the Association shall be reduced accordingly. Each member's

participation in the Association shall be determined annually. The method of determination of such credit shall be as authorized by the Board of Directors. On notice of participation to companies, statement shall be included to eliminate any potential problem that could arise concerning recalculation of a company's voluntary writings and participation of loss assessment - with such statement reading as follows: "This is the computation of your participation based on voluntary premiums written by your company(s). If you disagree with this computation, you have sixty (60) days from the date of this letter to file an appeal after which time no changes will be made."

4. Notwithstanding the above or any provisions of this Plan, in the event the assessment of a member insurer is ordered deferred in whole or in part upon application of the member insurer to the Director of Insurance because, in the opinion of the Director of Insurance, payment of the assessment would render the insurer insolvent or in danger of insolvency, or would otherwise leave the insurer in such condition that further transaction of the insurer's business would be hazardous to its policyholders, creditors, members, subscribers, stockholders, or the public, then the amount by which such assessment is deferred shall be assessed against other member insurers in the same manner as provided in this Plan and the authorizing statutes of the Association. Upon receipt by the Association of any order of deferral by the Director of Insurance, or any such subsequent orders as may be deemed necessary by the Director of Insurance, prescribing a plan by which the assessment so deferred must be repaid to the Association by the impaired insurer, the Treasurer of the Association, or some other officer of the Association duly designated by the Board, shall commence calculation of interest due the Association at the six-month treasury bill rate adjusted semi-annually. Such interest as may be due shall be compounded semi-annually at the time of any adjustment of the interest rate. Any profits, dividends, or other funds of the Association to which the insurer is otherwise entitled may not be distributed to the impaired insurer, but shall be applied toward repayment of any assessment until the obligation, including any interest due, is satisfied. The Association shall distribute the repayments including any interest thereon to the other member companies on the basis at which assessments were made.

5. Any insurer authorized to write and to engage in writing Essential Property Insurance after the effective date of this Plan shall become a member of the Association on the November 1 immediately following such authorization and the determination of such insurer's participation in the Association shall be made as of the date of such membership in the same manner as for all other members of the Association.

6. The Board of Directors, acting on behalf of the Association, is authorized to make preliminary assessment upon all insurers and such further assessments as may be deemed necessary.

Section X -- Commission

1. Commission to the licensed producer designated by the applicant shall be as determined by the Board of Directors.

2. In the event of cancellation of a policy, or if an endorsement is issued which requires premium to be returned to the insured, the producer shall refund ratably to the Association commissions on the unearned portion of canceled liability and on reductions in premiums at the same rate at which commissions were originally paid.

Section XI -- Administration

1. This program shall be administered by a Board of Directors (hereinafter referred to as the Board) of the Association, subject to the supervision of the Director of Insurance..

2. The Board shall be comprised of seventeen (17) members. Eleven of the members shall be insurers, two of which shall be domestic insurers. The remaining six members shall be comprised of two insurance producers who market and produce wind and hail insurance within and are residents of the State of South Carolina and four consumer representatives who shall be policyholders of this Association and residents of South Carolina. All members except the two insurance producers and the consumer representative shall be elected at the annual meeting by a cumulative weighted voting of all insurers. Such vote shall be weighted in the same proportion that the net direct premiums written during the most recent calendar year for which data is available by each insurer bear to the aggregate net direct premium written by all insurers. The South Carolina Director of Insurance shall appoint six members to be denominated as the insurance producers and consumers representative members. Each such director appointed by the Director of Insurance shall serve for a term of one year, which term shall be concurrent with the terms of the eleven insurer board members, and such directors may be reappointed for additional one year terms at the discretion of the Director of Insurance. The Nominating Committee's slate shall be distributed to member companies at least sixty (60) days prior to the election. Nominations shall thereafter be held open an additional thirty (30) days to allow nominations from the floor. Nominations will be closed not later than thirty (30) days prior to the election. All nominations will be placed on a ballot, and ballots will then be distributed to member companies prior to the election. It is further provided that the producer and consumer members may be excluded from service on any committee of the board where any potential conflict of interest exists, subject to the discretion of the Chairman of the Board. A member may cast its entire cumulative vote for a single insurer or may divide its vote among two or more insurers in any proportion. Not more than one insurer in a group under the same management ownership shall serve on the Board at any time.

Section XII -- Annual and Special Meetings

1. The annual meeting of the insurers for election to the Board and such other business as may be necessary shall be held in the State of South Carolina at a time and place to be determined by the Board each year. At any regular or special meeting at which the vote of the insurers is or may be required on any proposal, voting may be in person or by proxy. Voting at regular or special meetings of insurers, or any vote of the insurers which may be taken by mail, shall be cast and counted on a weighted basis in the same proportion as each insurer's net direct premiums written bear to the aggregate net direct premiums written by all insurers. A proposal shall become effective when approved by the majority of the votes cast on such weighted basis.

2. As soon as practicable after election to membership on the Board, and thereafter from time to time as it may elect, an insurer shall designate a qualified representative and an alternate of such representative to serve for it and shall immediately notify in writing the Manager of the Association of such designation.

3. Officers -- The Board shall elect a Chairman and Vice Chairman from the representatives serving on the Board of Directors. In addition, the Board shall elect a Secretary, Treasurer, and Executive Director. Additional subordinate officers may be elected at the discretion of the Board.

a. The Chairman shall preside over all meetings of the Board and at all meetings of the insurers. He shall discharge such other duties as may be incidental to his office or as shall be required of him by these rules or by the Board.

b. The Vice Chairman shall preside at any meetings of the Board in the absence of the Chairman. In the event of death or incapacity or disability of the Chairman, the Vice Chairman shall perform the duties of the Chairman until such office has been filled by the Board.

c. The Secretary shall issue all notices of meetings, record minutes of all meetings, keep the records of the Board, and discharge such other duties as may be incidental to his office or as shall be required of him by these rules or by the Board.

d. The Treasurer shall discharge such duties as may be incidental to his office or as shall be required of him by the Plan of Operation or by the Board.

e. The Executive Director shall discharge such duties as may be incidental to his office or as shall be required of him by these rules or by the Board.

4. Special Meetings -- Special Meetings of the Board or of the insurers may be held upon the call of the Chairman or in the event of his resignation, death or incapacity, upon the call of the Vice Chairman. Any eight members of the Board, acting by their designated representatives,, may request the Chairman to call a meeting of the Board or of the insurers at such time and place and for such purposes as may be set forth in writing in such request. Should the Chairman decline to call such meeting, the same may be called by the eight members making the request. Such special meetings may be held at the principal office of the Association or at such other place within or without the State of South Carolina as may be designated in the call.

5. Notices of Meetings -- Notices of all meetings shall be given by the Secretary to the members of the Board, and in the case of meetings of the insurers, to the insurers, and shall state the time and place and the principal purposes therefor, except that no notice of the annual meetings shall be given to newly-elected insurers in order to legally constitute the meeting, provided a majority of the designated representatives of the insurers shall be present at such meeting. Such notices may be given by telegram or by mail, direct to the attention of the designated representatives of the insurers and in the case of meetings of the insurers shall be sent or mailed at least thirty days in advance of the meeting. Any insurer or the designated representatives of any insurer may waive notice of any meeting, and the presence of such representative at any meeting shall constitute a waiver of notice as to such insurer.

6. Advance Agenda -- When practicable, the Secretary, after consultation with the Chairman, shall prepare in advance of each meeting of the Board and each meeting of the insurers an agenda which, with such supporting data and information as may be conveniently assembled, shall be forwarded to the members of the Board or their designated representatives or to the insurers, as the case may be, in advance of any such meeting.

7. Committees -- Subject to the Articles of Agreement, the Chairman of the Board shall appoint such standing committees or such temporary or special committees as may be deemed necessary for the transaction of its business, subject to the provisions of Section XI (2).

8. Ex-Officio Members -- The Chairman and Vice Chairman of the Board shall be ex-officio members of all standing or special committees, with the right to vote.

9. Mail Ballot by Board - Voting by mail is permitted within the Board and any matter thus submitted shall be carried provided it receives an affirmative vote from a majority of the members of the Board.

10. The Directors of the Association may amend the Plan of Operation at any time, subject to the approval of the Director of Insurance.

Section XIII -- Duties of the Board

1. The Board shall meet as often as may be required to perform the general duties of the administration of the Plan. Eight directors of the Board shall constitute a quorum.

2. The board shall be empowered to appoint or otherwise contract for the services of a Manager; to budget expenses; levy assessments including preliminary assessments; disburse funds and perform all other duties provided herein or necessary or incidental to the administration of the Plan. Assessments upon each insurer shall be levied on the basis of its net direct premiums written, less credit for Essential Property Insurance voluntarily written in the coastal area. In the event of a catastrophe loss by hurricane or wind, an immediate emergency special assessment may be made by a majority vote of the Board of Directors. A penalty or late charge of One (1%) per cent per week, or any part thereof, shall be applied to the assessment of any member in the event that member's assessment is not paid within fifteen (15) days from the date notice of assessment is received by the member. Assessments, including emergency loss assessments, will be based on the most current participation available at the time of loss. If a prior years participation is used in making the loss assessment, an appropriate adjustment will be made when the current years participation is available.

3. Annually the Manager shall prepare an operating budget which shall be subject to approval of the Board. Any contemplated expenditure in excess of or not included in the annual budget shall require approval of the Board.

4. The Board shall furnish to the Director of Insurance a written report of operations annually on or before March 31st of each year in such form and detail as the *Director of Insurance* may determine. A report of operations in a form determined by the Board of Directors shall be sent to all insurers.

Section XIV -- Immunity From Liability

There shall be no liability on the part of and no cause of action of any nature shall arise against the Board of Directors or any of its staff, the Association, or its agents or employees or against any participating insurer, for any reviews made hereunder or any statements made in good faith by them in any reports or communications concerning risks submitted to the Association, or at any administrative hearings conducted therewith under the provisions of this plan.

PART II
ARTICLES OF AGREEMENT
OF THE
SOUTH CAROLINA WIND AND HAIL UNDERWRITING ASSOCIATION

The purpose of these Articles of Agreement is to evidence agreement by the South Carolina Wind and Hail Underwriting Association to administer the Plan of Operation in compliance with the provisions of Section 38-39-10, et seq, of the Code of Laws of South Carolina, 1976, as amended.

ARTICLE I
Name

This organization shall be known as the South Carolina Wind and Hail Underwriting Association (hereinafter referred to as the Association), an unincorporated nonprofit association.

ARTICLE II
The Program

Annexed hereto and made a part thereof is the South Carolina Wind and Hail Underwriting Association Plan of Operation (hereinafter referred to as the Plan) as approved by the Director of Insurance of South Carolina.

ARTICLE III
Objectives

The objectives of the Association shall be (1) to administer the Plan; and (2) to provide wind and hail insurance in the coastal areas.

ARTICLE IV
Membership

1. Membership -- Every insurer, licensed to write and engage in writing Essential Property Insurance, as defined in the Plan, is a member of the Association and shall be referred to herein as a Member.
2. Termination of Membership -- Membership of any Member shall terminate when such Member is no longer licensed to write Essential Property Insurance in South Carolina. Any Member whose membership in the Association has been terminated shall, nevertheless, continue to be governed by these Articles of Agreement in order to complete its obligation with regard to any assessments, losses, expenses, contracts, or undertakings under the Plan, including all provisions of Section IX of the Plan.

ARTICLE V
Syndicate Policy

1. The Association is authorized to issue policies or certificates of insurance on risks in such form that each member of the Association shall be a direct insurer thereunder in such proportion as it participates in the writings, expenses, profits and losses of the Association. Liability of each member shall be several, each for itself, and not joint, and no member shall be

liable under any such policy or certificate for the liability of any other member thereunder, except as provided in Article IX of the Articles of Agreement.

2. Member Companies of the Association shall be deemed to have authorized the Manager of the Association to act as attorney-in-fact for all members to execute policies on behalf of the Member Companies. Any policy or certificates of insurance issued pursuant to this Article may be executed on behalf of the participating members by an attorney-in-fact appointed hereunder. Where authorized, he shall pay, on behalf of such members, premium and other taxes related to Association business on terms and conditions agreeable to the taxing authority involved. In the event of the death, resignation or incapacity of said attorney-in-fact to act, the Board of Directors shall nominate and name his successor. No policy or certificates of insurance shall be affected or invalidated by any change of the attorney-in-fact who, at the time such policy or certificate of insurance was issued, shall have duly acted pursuant to the powers in him then vested.

ARTICLE VI Office

The principal office of the Association shall be in the State of South Carolina.

ARTICLE VII Administration

This Plan shall be administered by a Board of Directors (hereinafter referred to as the Board) of the Association in accordance with the Plan.

ARTICLE VIII Indemnification

Extent of Indemnification -- The Association shall indemnify: (1) each member of the Board, each member of any committee or any subcommittee of the Board, each officer and employee of the Association and the estate, executor administrator, heirs, legatees and devisees of any such person; and (b) every Member of the Association, both as a Member and by reason of such Member having one or more of its personal representatives or employees serving in any of the capacities or positions specified in clause (a) hereinabove against all judgments including interest, fines, amounts paid or agreed upon in settlement, reasonable costs and expenses, including attorneys' fees, and any other liability that may be incurred as a result of any claim, action, suit or proceedings, whether civil, criminal, administrative or other prosecuted or threatened to be prosecuted, for or on account of any act performed or omitted or obligation entered into, if done or omitted in good faith without intent to defraud and within what he reasonably believed to be the scope of his employment of authority and for a purpose which he reasonably believed to be in the best interest of and in connection with the administration, management, conduct or affairs of the Association, and with respect to any criminal actions or proceedings, in addition, had no reasonable cause to believe that his or its conduct was unlawful. Provided, however, that if any such claim, action, suit or proceedings is compromised or settled, it must be done so with the prior and express approval of the Board.

Right to Indemnification -- Such indemnification shall not depend upon whether or not such Insurer is a Member of the Association, or such person is a member of the Board, or any committee or subcommittee thereof, at the time such claim, action, suit or proceedings is begun, prosecuted or threatened, nor on whether or not the liability to be indemnified was incurred or the act or omission occurred prior to the adoption of this Article VIII.

Effect on Other Rights -- The right of indemnification hereunder shall not be exclusive of other rights such person or Insurer may have as a matter of law of otherwise.

Determination of Questions Involving Indemnification -- In each instance in which a question of indemnification hereunder arises, determination in the first instance of the right to indemnification hereunder, and of the time, manner and amount of payment thereof, shall be made by the Board. In the event that a majority of the members of the Board are seeking indemnification hereunder as a result of the same occurrence, such determination in the first instance shall be made by vote of the Members of the Association taken on a weighted basis as provided in the Plan of Operation or in the Act. Nothing in this paragraph is intended to make an adverse determination finally binding upon the person or Insurer seeking indemnity under this Article, or to preclude any such person or Insurer from appealing an adverse determination against him or it, or from instituting legal proceedings to enforce a right of indemnification under this Article.

Apportioning Expenses of Indemnification -- The indemnification provided for in this Article shall be deemed to be an expense of the Association to which all of the Members shall contribute in the proportion that each Member participates in the writings, expense, profits and losses of the Association.

ARTICLE IX Insolvency

In the event any Member fails, by reason of insolvency, to pay its proportion of any expense or of any loss incurred by the Association under the Plan of Operation, such unpaid loss or expense shall be paid by the remaining Members, each contributing in the manner provided for the distribution of expenses and losses under the Plan of Operation, deleting therefrom the proportion of the defaulting Member. The Association shall be subrogated to the rights of the remaining Members in any liquidation proceedings and shall have full authority on their behalf to exercise such rights in any action or proceeding. The expense incurred by the Association in such action or proceeding shall be chargeable, subject to the approval of the court, against the insolvent Member as part of the expense of conservation or liquidation to the extent of a pro-rata share of the benefit which may accrue to such Member solely as a result of the exercise by the Association of its right of subrogation.

ARTICLE X Amendments

These Articles of Agreement may be amended by the membership with the approval of the Director of Insurance. Procedure for amendment shall be as prescribed in the Plan.

ARTICLE XI Effective Date

These Articles of Agreement are subject to approval of the Director of Insurance and shall become effective on the date established by the Director of Insurance after consultation with the Board of Directors, but not later than sixty days after such approval.

ARTICLE XII

Citation to Director of Insurance

Failure of any Member to comply with these Articles of Agreement or with any rules prescribed thereunder by the Board of Directors to pay any assessment levied within 30 days of notice thereof, shall be grounds for citation of such Member to the Director of Insurance.

ARTICLE XIII

Appeal to Director of Insurance

Any applicant or Member aggrieved by any ruling, order, decision, action, or refusal to act on the part of the Association may appeal to the Director of Insurance as provided in the Plan.

ARTICLE XIV

Acceptance of articles of Agreement by each Member shall be made on its behalf by the President or Vice President and attested by its Secretary or Assistant Secretary of each insurer on the form entitled "Membership Agreement."

MEMBERSHIP AGREEMENT
SOUTH CAROLINA WIND AND HAIL UNDERWRITING ASSOCIATION

The undersigned by causing its corporate name to be hereunto subscribed by its President or a Vice President, and its corporate seal to be hereto affixed, attested by its Secretary or Assistant Secretary does hereby ratify the foregoing Articles of Agreement and declares is unqualified authorization to the Board of Directors to levy such assessments as are deemed necessary by the Board to carry out the purposes of the Plan and Articles of Agreement. The Member hereby agrees to participate in the Plan and the Association, including any gains, losses, expenses, obligations, or contracts thereof, and to be bound by decisions of the Board of Directors with respect thereto.

Name of Company

President

Secretary

ATTEST:

DATE SUBSCRIBED:
