

2023 Proposed Bylaw Changes

These changes will be considered during the first general session of the 2023 AFR State Convention on Friday, Feb. 17, at 1:15 p.m. Delegates wishing to participate in the bylaws consideration should be registered and in the room by that time.

By Brandon Wilson on behalf of Whitworth, Wilson & Evans, PLLC

PROPOSED BYLAW CHANGES A

PROPOSED BYLAW CHANGE A-1

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE II

MEMBERSHIP

Eligibility for membership in the Corporation is specified in the Certificate of Incorporation, as amended, and states as follows: ~~only individuals persons or legal entities who are members of the Oklahoma State Union of the Farmers Education and Cooperative Union of America, Inc., ("State Union") are eligible to become policyholders and members of the Corporation., except that such requirements of the membership in the State Union shall not apply in the case of policyholders who are public or private corporations, boards or associations.~~

Each policyholder shall become a member of this Corporation effective the first day a policy is issued to said person by this Corporation and shall continue to remain a member until all policies of insurance issued by this Corporation to said member shall have expired or been cancelled.

Each member present at a meeting of the membership shall be entitled to one (1) vote on all matters coming before membership meetings which much be exercised in person.

Insureds who are public or private associations, boards, or corporation shall be entitled to one (1) membership and one (1) vote for each such insured association, board, or corporation. Where two (2) or more individuals, not members of the same family, are named as insured in any policy of insurance, each named person must pay dues and become a member of the State Union.

Rationale: The current language does not require boards, corporations or associations to be a member of State Union to buy AFRMIC insurance. However, the practice current practice is to generally require both persons and

corporations to become members of State Union. The proposed change aligns the by-laws with current practice, which is that corporations, boards and associations like any other persons do in fact join the State Union when purchasing insurance products from an appointed insurance agent of American Farmers & Ranchers Mutual Insurance Company. It is felt that the Bylaw language to the contrary should be deleted.

Under law, a company or association can be a member of the State Union. Historically, the mutual insurance company's products were a service of the State Union until the 1980s, when the Oklahoma Insurance Department required the formation of the mutual insurance company. (Therefore, Oklahoma Farmers Union Mutual Insurance Company was formed—now known as American Farmers & Ranchers Mutual Insurance Company.) Although the creation of the separate mutual insurance company occurred in the 1980s, membership in the State Union remained a requisite for purchasing insurance with the mutual. It therefore seems consistent that corporations, boards, or associations who want to buy AFRMIC insurance should also be members of the State Union, which, as noted above, most if not all, already do.

The proposed change, therefore, is reflective of the historic affiliation between the insurance services and membership in State Union and reflective of current practices.

PROPOSED BYLAW CHANGE A-2

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE II

MEMBERSHIP

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Union") are eligible to become policyholders and members of the Corporation., except that such requirements of the membership in the State Union shall not apply in the case of policyholders who are public or private corporations, boards or associations.

Each policyholder shall become a member of this Corporation effective the first day a policy is issued to said person by this Corporation and shall continue to remain a member until all policies of insurance issued by this Corporation to said member shall have expired or been cancelled.

Each member of the Corporation is entitled to one vote in the election of corporate directors and on all matters coming before membership meeting and that such vote should be exercised as provided for in Article III of these By-laws. ~~present at a meeting of the membership shall be entitled to one (1) vote on all matters coming before membership meetings which much be exercised in person.~~

Insureds who are public or private associations, boards, or corporation shall be entitled to one (1) membership and one (1) vote for each such insured association, board, or corporation. Where two (2) or more individuals, not members of the same family, are named as insured in any policy of insurance, each named person must pay dues and become a member of the State Union.

Rationale: This change is proposed to promote consistency between this language and the language proposed for Article III. See Proposed Change B-4. This change is not considered substantive; rather, it is for consistency purposes.

PROPOSED BYLAW CHANGE A-3

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE II

MEMBERSHIP

Eligibility for membership in the Corporation

is specified in the Certificate of Incorporation, as amended, and states as follows: only individuals who are members of the Oklahoma State Union of the Farmers Education and Cooperative Union of America, Inc., (“State Union”) are eligible to become policyholders and members of the Corporation., except that such requirements of the membership in the State Union shall not apply in the case of policyholders who are public or private corporations, boards or associations.

Each policyholder shall become a member of this Corporation effective the first day a policy is issued to said person by this Corporation and shall continue to remain a member until all policies of insurance issued by this Corporation to said member shall have expired or been cancelled.

Each member present at a meeting of the membership shall be entitled to one (1) vote on all matters coming before membership meetings which much be exercised in person.

~~Insureds A policyholder who are is a public or private associations, boards, or corporation, or trust shall be entitled to one (1) membership in the Corporation and one (1) vote. for each such insured association, board, or corporation. A policyholder who is a public or private association, board, corporation, or trust shall designate the person, on such forms satisfactory to the Board of Directors, who will be exercising the vote, according to Article III, on behalf of the association, board, corporation, or trust. Every named insured on an insurance policy issued by the Corporation must be a member of the State Union, in accordance with the Bylaws of the State Union. Where two (2) or more individuals, not members of the same family, are named as insureds in any policy of insurance, each named person must pay dues and become a member of the State Union.~~

Rationale: This change is to provide clarity to language that was felt to be unclear and to make the language more consistent with State Union rules pertaining to membership.

The current AFRMIC Bylaw provision here is not consistent with State Union Bylaws. AFRMIC’s Bylaw language states here that: “Where two or more individuals, not members of the same family, are named as insureds in any policy of insurance, each named person must pay dues...” Consider a 26 year-old son of a husband and wife. He is indeed a family member of the husband and wife. Under this AFRMIC Bylaw language, the 26 year-old *could* conclude that he need not pay a separate membership dues to the State Union in order to obtain insurance, since he is a member of the same family. But that is not true under State Union rules. He would *not* be a member of the State Union under State Union rules because a “family membership” is limited to children under 21 years of age. Under the State Union Bylaws, a 26 year-old would be obligated to pay separate dues.

The proposed change, then, clarifies that all

named insureds must be a member of the State Union, in accordance with the Bylaws of the State Union. This is a more satisfactory way of expressing the intent of the language. Examples:

- A husband and a wife are both named insureds on an auto policy. Husband and wife, for one dues amount to the State Union (at the time of the drafting of this proposal, that amount is one \$35.00 dues) would *both* be members of the State Union under State Union’s “family membership” rules. Therefore, husband and wife would both be “named insureds” who are also “members of State Union.”
- But suppose a husband, wife, and a 23 year-old daughter are named insureds on one AFRMIC homeowners’ policy. In this case, the husband and wife would be members of the State Union under the “family membership” in exchange for the \$35.00 membership dues payment. However, the 23 year-old daughter is *older* than the age limit in State Union’s rules, which is currently limits family membership to children 21 years old or younger. She has, therefore, “aged-out” of the family membership. The daughter must pay a *separate* and additional membership dues of \$35.00 in order to be a member of State Union.
- Suppose a man is a named insured on a policy along with an LLC that is also identified as a named insured. The LLC is not qualified to be a “family member” for family membership purposes under State Union rules. Therefore, the man should pay one membership dues *and* the LLC should also pay its own membership dues.

The other changes to the language are stylistic only and clarify that a corporation, for example, gets one vote and that the corporation should identify to AFRMIC (on forms or documents acceptable to AFRMIC) *who* is going to exercise that vote on behalf of the corporation. (Having a corporation designate the person exercising the vote is a common way of handling the corporation’s one vote.)

PROPOSED BYLAW CHANGES B

PROPOSED CHANGES TO ARTICLE III

PROPOSED BYLAW CHANGE B-1

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE III

POLICYHOLDER MEETINGS

Rationale: This change adds the word “policy-

holder” in the title before the word “meetings.” Article III pertains to policyholder meetings. In another Article, Board of Directors’ meetings are described. To avoid confusion, it was felt that the addition of the word “policyholder” should be added to the title.

PROPOSED BYLAW CHANGE B-2

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE III

MEETINGS

Section 1 – Annual Meeting. The Annual Meeting of policyholders shall be held at a date and place fixed by the Board of Directors, which shall coincide so far as possible with the time and place of the Annual Meeting of the State Union. ~~The date of the annual Meeting will be made known a minimum of ninety (90) calendar days prior to the Annual Meeting.~~ The Notice of Annual Meeting, including the day, hour, and place, shall be provided to policyholders by distributing said Notice in the “AFR Today” or by other means as determined by the Board of Directors, not less than fourteen (14) days, nor more than one hundred twenty (120) days preceding the ~~a~~Annual ~~m~~Meeting. *In the event that the Company is unable to provide the Notice of Annual Meeting at least ninety (90) days in advance of the Annual Meeting, then the Board of Directors shall provide a “Notice of Date of Annual Meeting” at least ninety (90) days prior to the Annual Meeting and then provide the Notice of Annual Meeting as otherwise provided for in this Section.*

Rationale: The existing language provides for two notices. The first notice is a “Notice of Date” of the Annual Meeting, to be provided at least ninety (90) days prior to the Annual Meeting. This notice only provides the date and its purpose is so that policyholders may note their calendars. The second notice provides for the traditional “Notice of Annual Meeting”, which contains the ordinary information typically found in a notice of annual meeting.

The purpose of the dual notices is that the physical arrangements of the convention, as well as the order and nature of the business to be had at the convention, is often being ironed-out during the fall months. Therefore, it was felt that having an initial notice of the date well in advance of the meeting was helpful to policyholders so that they may note their calendars. Meanwhile, the Company can finalize the arrangements and order the business and provide the formal “Notice of Annual Meeting”, with the information ordinarily associated with that notice, and provide such notice later. However, the language was viewed as imprecise. Therefore, these changes were made for stylistic reasons.

PROPOSED CHANGE B-3

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE III

Section 3 – Quorum. A quorum for any Annual Meeting or Special Meeting of the policyholders shall consist of ~~all the policyholders present those persons present who are entitled to vote as provided for in Article III.~~

Rationale: The existing language did not fit the exact practice of AFRMIC. Therefore, clarification has been made to align this Section 3 with current practice and state statute regarding voting rights. A quorum, under the proposed language, is the number of persons entitled to vote who are present.

PROPOSED CHANGE B-4

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE III

MEETINGS

Section 4.0. Policyholder Voting. A policyholder's vote on any issue duly before any annual meeting or special meeting will be represented by an elected delegate (as provided for in Section 4.1) or by an in-person vote (as provided for in Section 4.2).

Section 4.1 – Policyholder Voting – Delegates. A policyholder's vote on any issue before any annual meeting or special meeting will be represented at any annual or special meeting by an elected delegate who is elected at the Local or County Union of the State Union in which that policyholder is a member, unless the policyholder chooses to vote in person as provided for in Section 4.2 below.

(a) Delegates – How Elected. Each Local Union of the State Union shall be entitled to one (1) delegate for every fifty (50) policyholders or fraction thereof, provided however, that a Local Union must have at least fifteen (15) policyholders to be entitled to a delegate. In the event there are policyholders unrepresented by a Local Union, the County Union shall elect a delegate for every fifty (50) of such policyholders or fraction thereof.

(b) Delegates – Authority. The elected delegates shall be and act as the appointed agents and proxies of the policyholders. The elected delegates shall vote on all matters disclosed in the Notice of such meeting and/or properly coming before the meeting or any continuation of such meeting.

(c) Delegates – Vote Amounts. The number of votes cast by delegates shall equal the number of policyholders minus any votes cast in person pursuant to Section 4.2 below.

(d) Delegates – Forms and Credentials. The Board of Directors of the Corporation shall prepare and adopt such forms, certifications, procedures and rules to ensure that the Local Unions and County Unions have adequately certified their delegates and to ensure an orderly voting process.

(e) Delegates – Special Meetings. When a special meeting of policyholders is duly called, the Board of Directors of the Corporation shall prescribe rules, deadlines, and other procedures for the appointment of delegates from the Local Union and County Unions. Notwithstanding the foregoing, the Local Unions and County Unions shall have the same amounts of delegates for special meetings as provided for in Section 4.1(a).

Section 4.2 – Policyholder Voting – In Person. If a policyholder chooses to cast the policyholder's vote in person at an annual meeting, the policyholder must contact the Secretary of the Corporation at 405-218-5400 or 1-800-324-7771 and request an "In-Person Voter Registration Form", which must be returned on or before the December 31 immediately prior to the annual meeting. A policyholder who fails to return the registration form by the deadline is ineligible to vote in person at the annual meeting, and that policyholder's vote will be represented by a delegate as provided for in Section 4.1. For special meetings, the Board of Directors shall provide for reasonable notice and registration deadlines for in-person voting.

Section 4.3 – Meeting Rules. The latest version of Roberts Rules of Order for assemblies and conventions shall apply generally to any annual and special meeting of the policyholders, with the exception that these Bylaws and any special, supplemental, or standing rules or orders are recommended by the Board of Directors and adopted by the body will apply over a conflicting rule in Roberts Rules of Order.

Rationale: Oklahoma law requires that a mutual insurance company allow a member of a mutual the right to vote in person at an annual meeting. There is a substantial cost to both AFRMIC and the State Union to conduct a convention, which includes creating and implementing the credentialing for voting and the contracting for outside vendors for voting machines and other equipment. Currently, there is no way to know whether a person is going to appear in person and vote, and, as a result, AFRMIC and State Union must pay for the possibility that persons will vote, even if none do. Therefore, it is felt to be a reasonable rule to (a) allow for in person voting (which is required by Oklahoma statute) but (b) set a reasonable deadline to "register to vote" so that AFRMIC and State Union can make reasonable expenditures, but help limit unnecessary expenditures, at the annual meetings.

This proposal also clarifies that when a special meeting is called—which is an unusual occurrence—the Board of Directors should prescribe reasonable rules and deadlines for the appointment of delegates so that the special meeting may be held fairly and in good order. Other than this registration process, this proposed language is materially the same as the language already in Section 4 of Article III, except that it has been organized and simplified. For example, the delegate totals are the same in the proposal as in the current bylaws. Likewise, Roberts Rules govern, unless there are special rules, in both the current bylaws and this proposal.

Nevertheless, while the current Section 4 is materially similar to this proposal, except for the addition of the registration process, because the drafting organized and simplified the content to such an extent, this proposal is not a "redlined" version of the current language; rather, it has been re-written.

PROPOSED CHANGE B-5

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE III

POLICYHOLDER MEETINGS

Section 5 – Chair of Policyholder Meetings.

The Chair of the Board of Directors shall preside over all policyholder meetings. In the event the Chair of the Board of Directors is unable to serve at a policyholder meeting, the Board of Directors must appoint a person to preside over the policyholder meeting.

Rationale: This Section is new, but the concept of a chair is already present in the Bylaws. The practice has been that the person appointed by the Board of Directors as chair for the Board of Director meetings (for the mutual insurance company) has also served as the person presiding over the policyholder meetings as well. This language simply recognizes that practice. Please note that because this new Section 5 is being proposed, it is recommended that that current chair language be deleted.

PROPOSED CHANGES C

PROPOSED CHANGES TO ARTICLE IV

PROPOSED BYLAW CHANGE C-1

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE IV

Section 4 – Removal of Director. A Director may be removed either with or without cause by the affirmative vote of *two-thirds (2/3) of the entire board* the eight (8) Directors at any regular or specially called meeting, *but only after the affected Director is given notice and an opportunity to be heard. For purposes of this Section 4, “with cause” means that the Director has done, in the opinion of the Board, one or more of the following things: (a) committed some act that breached the Director’s fiduciary duties toward the Company or any of the Company’s subsidiaries or affiliates or otherwise failed to abide by the Board policies and procedures adopted by the Board; (b) committed a public offense for which imprisonment is a possible punishment; (c) misappropriated Company funds; (d) committed an act of fraud, dishonesty, or moral turpitude in the conduct of any business; (e) used alcohol or drugs to an extent that, in the good faith determination of the Board of Directors, materially interferes with the performance of the Director’s duties and responsibilities; or (f) been excessively absent from Board Meetings in any one year period where, in the good faith determination of the Board of Directors, such absences materially interfere with the performance of the Director’s duties and responsibilities. Prior to any vote for removal with cause, the Board of Directors shall give the affected Director notice of the reason for removal and an opportunity to be heard. The Board of Directors may adopt such additional rules and procedures for this notice and hearing as it may in its discretion consider necessary for the best interests of the Company. The Policyholders may, by a majority vote, override the removal of a Director at an Annual Meeting or Special Meeting called according to these Bylaws.*

Rationale: These changes do the following:

- Eliminates the current language authorizing a removal by the Directors of another Director “without cause.”
- Provides for the types of behavior constituting “cause” for removal of a Director.
- Provides procedural safeguards to the affected Director by requiring notice to the Director and a chance to be heard before the Board votes on the matter. Furthermore, if the Board votes to remove a Director, the policyholders may override that vote.

It is common for Bylaws of a corporation to give to a Board the ability to police itself—this power is critical to the effective performance of a Board’s duties. As far as the Board of Directors of AFRMIC can tell, many companies provide a mechanism for the removal of a Director that does not require a unanimous vote of the Directors—although many do require a heightened threshold (such as a supermajority). The current language in AFRMIC’s Bylaws, however, requires a unanimous vote.

A board of a company ought to have the power

to remove a Director who should be removed, since the members of a board are those most familiar with and knowledgeable of the business of the board and conduct of the members of the board.

AFRMIC policyholders elect a Board of Directors who are tasked with the general superintendence of the Company. This is necessary because it would be physically impossible to summon all policyholders for meetings, both special and regular, for every business issue arising during the course of business. Therefore, the Board of Directors become familiar with overall functions of the business and the general status of affairs of the business—including the interactions of the members of the Board. The Board of Directors is, in this regard, the entity in the best position to know whether a Director ought to be removed for the listed reasons constituting “cause.”

While all the above is true, it is also true that each director is elected by the people—i.e., the policyholders. Therefore, while the Board of Directors ought to have the ability to better police itself, such ability must not be “too easy” or taken “too lightly.”

Therefore, the proposed language attempts to strike a balance of all these various interests. For example, the words “without cause” are eliminated. Cause is required. “Cause” is also defined in an effort to establish some boundaries in what types of behavior a Board can consider when determining whether to remove another Board member. Before a vote can occur, the affected Director must be given notice and a chance to be heard. Finally, the policyholders themselves by a simple majority may override the Board of Directors.

PROPOSED CHANGE C-2

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE IV

Board of Directors

Section 8 (or Section 11—see Rationale below) – Chairperson of Board. *The Board of Directors shall, by a simple majority vote, appoint a member of the Board to be Chairperson of the Board. The period of appointment is for such length as determined in the Board’s discretion. The Chairperson of the Board: (a) shall preside over any meeting of the Board of Directors and any meeting of the policyholders; (b) shall assist the Company with the order of business of any meeting; (c) shall assist the Company in the preparation of the agenda for any meeting; and, (d) may, at the Chairperson’s discretion, serve as a non-voting member, ex-officio, of any committee of the Board (except that in the case of those committees where the Chairperson is an appointed member of the committee, in which case the Chairperson would have the right to vote as an appointed member). As a member of*

the Board of Directors, the Chairperson retains such rights to vote at Board meetings the same as any other Director. The Chairperson shall have no authority to execute contracts binding the Company or exercise any role of an officer of the Company, except as may otherwise be established in these Bylaws or by resolution of the Board.

Rationale: Procedural Commentary: Please note that there is an existing “Section 8—Officers” already under Article IV, dealing with Officers. In other words, in the current Bylaws, both the provisions for Directors and the provisions for Officers appear under Article IV – Board of Directors. Most companies’ Bylaws have “Board of Directors” in one Article and “Officers” in another Article. It was felt to be cleaner to make a similar change to AFRMIC’s Bylaws. Therefore, the Board is proposing a simple renumbering, and the Board is requesting this to happen regardless of whether the policyholders approve or disapprove any other language.

How does this affect the proposed language above? *If* renumbering is approved, then this particular language regarding Chairperson would be Section 8 of Article IV. However, *if* renumbering is not approved, but the policyholders do approve the Chairperson language, then this language would be Section 11 of Article IV.

Substantive Commentary: As far as the actual wording of the proposal is concerned, the current Bylaws already allow the President/CEO OR a person designated by the Board to preside over the meetings. Over the last several years, the Board has designated a chairperson of the Board to preside over meetings and assist management in the preparation of meeting agendas and similar liaison work. The chairperson is a member of the Board (and thus retains his/her vote). Beyond that, however, the chair does not exercise any officer-type powers. This proposed language simply puts in writing the current practice.

The proposal is intended to be under Article IV (i.e., the Board article) rather than the Officer article. It should be under the “Board” article since AFRMIC does not treat the Chairperson of the Board as an “Officer.”

Under the law, and *depending upon the circumstances*, a “Chairperson” *could* be considered an “officer” of a company with associated duties. Since the Company does not treat the Chairperson as an officer and since the Board is not currently is not recommending that the Chairperson of AFRMIC’s Board be treated as an “officer”, the Board recommended clarification in the Bylaws that the Chairperson is not an officer until further notice. Thus, although already in effect in practice, it was felt that such language be specifically included in these Bylaws and included under Article IV under the “Board of Directors” provisions, rather than the “Officers” provisions.

PROPOSED CHANGES D

PROPOSED MOVE OF SECTIONS 8, 9, AND 10 OF ARTICLE IV TO A NEW ARTICLE V

Currently, Sections 8, 9, and 10 of "Article IV – Board of Directors" deals with Officers. The Board of Directors proposes that the currently existing Sections 8, 9, and 10 of Article IV be removed from Article IV and placed in a new article, "Article V – Officers." Then, the Sections 8, 9, and 10 would be renumbered as Sections 1, 2, and 3 of this new Article V. In this Proposed Change D, no other substantive changes to the actual language are proposed.

Then, if the above is approved, the Board of Directors proposes the following (and, in reality, this proposal would *have to* occur since the above would require it):

- Existing Article V be renumbered as Article VI
- Existing Article VI be renumbered as Article VII
- Existing Article VII be renumbered as Article VIII
- Existing Article VIII be renumbered as Article IX
- Existing Article IX be renumbered as Article X
- Existing Article X be renumbered as Article XI
- Existing Article XI be renumbered as Article XII
- Existing Article XII be renumbered as Articles XIII

Please note that if renumbering is approved, AFRMIC will also modify the Bylaws to reflect the numbering. For example, if a Bylaw says that a notice should be given "according to Article XI." That would be modified to "notice should be given according to Article XII." These changes would be for clarification purposes only to carry out the changes approved by the policyholders.

Rationale: No substantive change is proposed here. In fact, the policyholders could reject all proposed other changes to the Bylaws but this one change, and none of the meaning of the Bylaws would be affected. Clarity and organization, though, would be enhanced. The Director role is distinct from the Officer role. Yet, under AFRMIC's currently existing Bylaws, both roles are provided for under Article IV – Board of Directors. If a reader were to read the full text of all of Article IV, then it is felt that the distinction is reasonably clear. However, it is felt that (a) it would be cleaner to have the two different roles broken out into two different Articles and (b) such distinction is most common in the Bylaws of companies in Oklahoma. Therefore, the proposal is to take Sections 8, 9, and 10 of Article IV and segregate them into a new Article V- Officers. Then the current Articles V through XII would simply be renumbered accordingly.

PROPOSED CHANGES E

PROPOSED BYLAW CHANGES TO (NEW) ARTICLE V

(The below *presupposes* that the renumbering was or will be approved by the policyholders—see Proposed Changes D—and therefore these address Section 1 (i.e., former Section 8 of Article IV) and Section 2 (i.e., former Section 9 of Article IV.)

PROPOSED CHANGE E-1

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE V

Officers

Section 1 – Officers. [no changes proposed]

(a) [no changes proposed]

(b) [no changes proposed]

~~(c) The President/CEO, the President/CEO's designee, or such other person designated by the Board of Directors shall preside at all meetings of the policyholders and of the Directors. The President/CEO shall be an advisor to all standing committees of the Board of Directors.~~

(c) [no changes proposed]

(d) [no changes proposed]

(e) [no changes proposed]

(f) [no changes proposed]

(g) [no changes proposed]]

Rationale: This Proposed Change E-1 is a proposed change to the existing Section 8 of Article IV (which will be renumbered to Section 1 of Article V).

This Proposed Change E-1 is to revise Section 1(c) by deleting 1(c) entirely for the reason that the person presiding over the Board of Directors meetings is now provided for in the new Section 8 under Article IV. (Please see Proposed Change C-2.) There is no need to keep Section 1(c) if the policyholders approve the new Section 8 under Article IV. **But note:** If the new Section 8 under Article IV is not approved, then the Board of Directors will withdraw this Proposed Change E-1.

Note also that while this Proposed Change E-1 does not propose any changes to existing Section 1(a) (i.e., Section 8(a) if renumbering is not approved), nevertheless, please see Proposed Change E-3 for proposed changes to Section 1(a) (i.e., Section 8(a)).

PROPOSED CHANGE E-2

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE V

OFFICERS

Section 2 – Removal from Office. Any Officer may be removed, either with or without cause, by the affirmative vote of ~~any nine (9) two-thirds (2/3) of the entire Board of Directors~~ at any regular or special meeting of the Board. ~~The policyholders shall be notified of the removal and each such Officer shall be released in accordance with Section 8(i). Any Director may be removed either with or without cause by the affirmative vote of any eight (8) Directors at any regular or special meeting of the Board. The policyholders may override such termination through an Annual Meeting or Special Meeting of the Membership.~~

Rationale: Section 2 (former Section 9 of Article IV) contained language holding over from when the Officers of AFRMIC were elected by the policyholders. The proposed changes simply make the removal provisions consistent with the existing Section 1, which states that the Board of Directors appoints the Officers with a 2/3 vote. The appointment is by a 2/3 vote or more vote of the Directors. The proposed changes contemplate that removal may be accomplished in the same fashion (i.e., a majority or more vote of the Directors.) The current language contemplates a unanimous vote of the Board of Directors.

(The below *presupposes* that the renumbering was or will be approved by the policyholders—see Proposed Changes D—and therefore these address Section 1 (i.e., former Section 8 of Article IV) and Section 2 (i.e., former Section 9 of Article IV.)

PROPOSED CHANGE E-3

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE V

Officers

Section 1 – Officers. [no changes proposed]

(a) Officers/Appointment. The Officers of the Corporation shall include a President/Chief Executive Officer (President/CEO), a Secretary, and a Treasurer/Chief Financial Officer (Treasurer/CFO), all of whom shall be appointed by the Board of Directors *by at least a two-thirds vote (2/3) of the Board of Directors.* The Board of Directors may also appoint one or more Vice-Presidents, Assistant Secretaries, Assistant Treasurers and such other Officers with such powers and duties as the Board of Directors deems necessary. No person shall be eligible to serve and hold such offices who has a conflicting interest in a similar organiza-

tion as an officer, director, or agent, who would, by reason of other affiliations be in a position to engage in or profit from transactions prohibited by statute.

(b) [no changes proposed]

(c) **changes proposed (See Proposed Change E-1)**

(d) [no changes proposed]

(e) [no changes proposed]

(f) [no changes proposed]

(g) [no changes proposed]

(h) [no changes proposed]]

Rationale: This Proposed Change E-3 is a proposed change to the existing Section 8 of Article IV (which will be renumbered to Section 1 of Article V).

This Proposed Change E-3 is to revise Section 1(a) (currently Section 8(a) of Article IV but proposed to be renumbered) by providing that the President/CEO, the Secretary and the Treasurer/CFO is appointed by the Board of Directors upon a 2/3 vote. Currently, these offices are filled by a majority vote of the Directors—this change will provide for a 2/3 vote. The heightened threshold to appoint an officer corresponds with the heightened threshold to remove an officer, which is provided for in Proposed Change E-2.

PROPOSED CHANGES F

PROPOSED CHANGES TO ARTICLE VI

(The below *presupposes* that the renumbering was or will be approved by the policyholders—see Proposed Changes D—and therefore these address Article VI, formerly known as Article V.)

PROPOSED CHANGE F-1

NOTE: Language appearing with a ~~strike-through~~ is language being proposed to be removed. Language appearing in *italics* is language being proposed to be added.

ARTICLE VI

PROMOTIONAL FEE

The Corporation shall contribute ~~no more than one percent (1%) of its annual earned premium to the State Union, as long as such contribution can be lawfully made. to support programs that furthers the purpose and promotes the corporation, with the exact amount being set at the discretion of the Board of Directors.~~

Rationale: Historically, the policyholders of AFRMIC have directed that AFRMIC contribute up to (or “no more than”) one percent (1%) of AFRMIC’s earned annual premium to the Oklahoma State Union to support those programs that promote AFRMIC. The finalized amount has been subject to the discretion of the Board of Directors. There can be legitimate business reasons where, from time to time, it would not be appropriate to contribute funds. For example, if such contribution would cause the mutual’s surplus to dip below the required minimum surplus.

However, and on the other hand, the wording of the Bylaw created some difficulty with the State Union, when budgeting time came, since State Union could not determine with any reasonable exactitude what funds may be available. Furthermore, since the current Bylaw obligated “no more than” 1%, that contribution—theoretically—is between 0% to, and no more than, 1%.

AFRMIC recognizes the historical connection between the State Union and AFRMIC. In a desire to affirm that connection, this proposed change obligates, by policyholder directive, AFRMIC to contribute a full 1% rather than an amount “no more than one percent.” The requirement that the contribution be tethered to “programs that furthers the purpose and promotes the corporation” is removed.

But the contribution cannot be made if it cannot be legally made, and that exception remains in the proposed Bylaw revisions. If, for example, the contribution would cause the mutual business to fail, the Board is authorized to withhold it.

The proposed language becomes a policyholder directive to the Corporation *requiring* the contribution. It is AFRMIC’s belief that the availability of the funds will assist the State Union’s mission of providing educational, advocacy, and relief services for agricultural producers and families and youth.