

BYLAW NO. 03 - 03

A BYLAW TO AUTHORIZE ENTERING INTO AN AGREEMENT WITH THE SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES FOR THE PURPOSE OF PROVIDING PROPERTY INSURANCE COVERAGE.

The Council of the Rural Municipality of Frenchman Butte No. 501, in the Province of Saskatchewan, enacts as follows:

1. The Rural Municipality of Frenchman Butte No. 501, is hereby authorized to enter into an agreement, attached hereto and forming part of this bylaw and identified as "Exhibit A", with the Saskatchewan Association of Rural Municipalities, for the purpose of providing property insurance coverage for the municipality.
2. The Reeve and Administrator are hereby authorized to sign and execute the attached agreement, identified as "Exhibit A".



 Reeve

(SEAL)



 Administrator

Certified a true copy of Bylaw No. 03-03 adopted by resolution of council on the 14th day of January, 2003.



 Reeve

(SEAL)



 Administrator



PROPERTY SELF-INSURANCE PROGRAM AGREEMENT

Between,

Saskatchewan Association of Rural Municipalities
("SARM");

and

Rural Municipality of Frenchman Butte No. 501
("the Subscriber").

Whereas SARM is empowered, by virtue of section 8 of *The Saskatchewan Association of Rural Municipalities Act*, S.S. 1986-87-88, c. 01, as amended ("the Act"), to establish and administer a property insurance program for SARM and those municipalities which agree to participate;

And whereas on September 16, 2002 the Board of Directors of SARM ("the Board") resolved to establish a self-insured property insurance program pursuant to this authority;

And whereas the Subscriber is desirous of participating in the said program;

Now, therefore, in consideration of the foregoing and of the mutual covenants herein contained, the parties agree as follows:

THE PROGRAM

1. SARM shall establish and administer a program to provide property insurance to SARM and those members of SARM which agree to participate. The program shall be known as the SARM Property Self-Insurance Program ("PSIP").

INITIAL APPLICATION

2. In order to participate in PSIP, the Subscriber shall provide two executed copies of this agreement to SARM and a completed PSIP application form.

PREMIUM

3. The premium to be paid for participation in PSIP shall be based on (i) the value of the property insured, (ii) the duration of the policy period and (iii) the rate or rates set by SARM. SARM may set different rates for different classes of property. The rate or rates shall be set annually based on the estimated costs of operation of PSIP for the year.
4. SARM shall provide to the Subscriber an invoice for the premium as follows:
 - a) for the first year or portion thereof, as soon as possible following receipt of the completed PSIP application form; and
 - b) for all subsequent years, on or before December 31st of the year before the year for which the premium is to be paid.

COVERAGE

5. In the first year in which the Subscriber participates in PSIP, coverage shall be effective from the later of (i) the date indicated on the PSIP application form or (ii) the date on which the PSIP application form is received by SARM. In all subsequent years, coverage shall be effective from January 1st.
6. The coverage provided under PSIP shall be as set out in the Property Self-Insurance Program Policy ("the Policy") and in the Declaration(s) which will accompany each invoice.

7. SARM shall have the power to change the terms and conditions of the Policy at any time; provided, however, that no change shall take effect until January 1st of the year following the year in which the change is made and then only if the Subscriber has been notified of the change by November 30th of the year in which the change was made.

8. SARM reserves the right, with respect to any property or class of property, to (i) decline to insure, (ii) decline to insure for replacement cost, (iii) restrict the insured perils, (iv) set the deductible to be applied and (v) determine the rate if a rate has not already been set pursuant to clause 3 hereof.

ADJUSTMENTS DURING POLICY PERIOD

9. The Subscriber may make additions or deletions to the list of property insured or adjustments to the statement of values during the policy period, by notifying SARM in writing of the same. Such changes shall be effective from the later of (i) the date indicated in the notice or (ii) the date on which the notice is received by SARM.

SUBSCRIBER'S LIABILITY

10. The Subscriber shall be liable as an insured for the payment of the premium and as an insurer for the payment of its proportionate share of all claims and expenses under PSIP.

HANDLING OF FUNDS

11. SARM shall establish a Property Self-Insurance Program Fund ("the Fund") into which all premiums and out of which all claims and expenses, shall be paid.

12. SARM may invest any money not immediately required for the operation of PSIP, as permitted under the Act and in accordance with the SARM Investment Policy.

13. SARM shall establish for the Subscriber an individual ledger account ("ILA").

14. For each calendar year, SARM shall provide to the Subscriber an income statement for PSIP, identifying any profit or loss realized from operations and investments for that year.

15. A portion of the profit or loss from operations for each year shall be allocated to the Subscriber's ILA, according to the following formula:

$$\frac{SP}{TP} \times NI = x;$$

where:

SP is the Subscriber's premium for the year;

TP is the total premiums paid for the year;

NI is the net income for the year; and

x is the resulting allocation of profit or loss from operations to the Subscriber's ILA.

16. A portion of the profit or loss from investments for each year shall be allocated to the Subscriber's ILA, according to the following formula:

$$\frac{SB}{TB} \times II = y;$$

where:

SB is the balance in the Subscriber's ILA as at year end;

TB is the total of all subscribers' ILAs as at year end;

II is the total investment income earned in that year; and

y is the resulting allocation of investment income to the Subscriber's ILA.

17. The balance in the Subscriber's ILA belongs to the Subscriber, however the Subscriber shall have no right to the same except as provided for in paragraphs 23 and 24 hereof.
18. If at any time the Subscriber's ILA is in a deficit position, the Board may direct that a special levy be made to eliminate the same.
19. For the purposes of paragraphs 14 and 15 hereof, expenses shall be allocated to the year in which they are incurred and claims shall be allocated to the year in which the loss occurred.

RENEWAL AND TERMINATION

20. Participation in PSIP shall be automatically renewed from year to year, unless terminated by SARM or the Subscriber in accordance with paragraphs 21 or 22 hereof.
21. The Subscriber may terminate its participation in PSIP by providing notice in writing of its intention to do so to SARM. The termination shall be effective on the later of (i) 30 days following receipt of the notice by SARM or (ii) the date indicated in the notice.
22. The Board may terminate the Subscriber's participation in PSIP by providing notice in writing of its intention to do so to the Subscriber. The termination shall be effective on the later of (i) 30 days following the mailing of the notice by SARM or (ii) the date indicated in the notice.
23. In the event of the termination of the Subscriber's participation in PSIP, the following rules shall apply:
- a) SARM shall advise the Subscriber as to the balance in its ILA as soon as possible once the profit or loss from operations and investments has been determined for the year;

- b) if the Subscriber's ILA is in a surplus position, SARM shall refund the balance once all claims and expenses attributable to the year or years in which the Subscriber participated in PSIP have been paid; and
- c) if the Subscriber's ILA is in a deficit position, the Subscriber shall pay to SARM the funds necessary to eliminate the same.

DISTRIBUTION OF SURPLUS

24. SARM may distribute to the Subscriber such sum as in the judgment of the Board is no longer required by PSIP and, for this purpose, may apply amounts credited to the Subscriber's ILA to the payment of the premiums due hereunder.

REINSURANCE

25. SARM may make arrangements with any insurer for the reinsurance of a risk or any portion thereof and may accept reinsurance 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.

ACCOUNTING AND ADMINISTRATION

26. SARM shall maintain accounting records for PSIP and a full accounting shall be made to the SARM Annual Convention each year, as part of SARM's consolidated audited financial statements.

27. The Board shall administer PSIP; provided, however, that it may delegate to the Executive Committee or Executive Director such duties with respect to the administration of PSIP as the Board may determine.

28. SARM will charge to PSIP a fee for the administration thereof, in an amount to be determined by the Board.

SIGNED on behalf of SARM, this _____ day of _____, _____.

(seal)

President

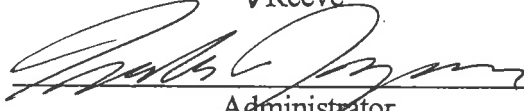
Executive Director

SIGNED on behalf of the Subscriber, this 14th day of January, 2003.

(seal)



Reeve



Administrator