

**RULES AND REGULATIONS**  
**of**  
**CSAA INSURANCE EXCHANGE**  
**As amended January 1, 2020**

**1. Name; Purpose.**

The organization through which the subscribers exchange contracts of insurance provided for herein shall be known as CSAA Insurance Exchange, hereinafter called the Exchange. The purpose and business of the Exchange shall be the conducting of an inter-insurance exchange in accordance with the provisions of Division One, Part Two, Chapter Three, of the Insurance Code of the State of California relating to Reciprocal Insurers, and hereinafter referred to as the Reciprocal or Inter-Insurance Exchange Act. The Exchange shall have powers equivalent to those of a corporation engaged in the business of insurance to the fullest extent permitted by applicable law. Without limitation, the Exchange may engage employees, including officers, enter into any lawful contract, maintain bank accounts, hold and invest assets in accordance with applicable law, establish reserves, maintain books and records, own real and personal property, organize or acquire and own, subsidiary entities and undertake the specific activities enumerated elsewhere herein.

**2. The Board of Directors.**

The CSAA Insurance Exchange Board of Directors (the "Board") shall have oversight over the business and affairs of the Exchange. The powers of the Exchange shall be exercised by the Board. Such powers shall include all powers of the subscribers except for the powers of the Attorney in Fact as provided in Section 5 hereof. The members of the Board shall be elected by the Board at the first regular meeting of the Board in each year or at such other time as determined by the Board. The Chief Executive Officer of the Exchange, the Chief Executive Officer of AAA Club Partners, Inc. (the "ACP CEO"), and the Chairs of the Boards of the Exchange's two largest partner clubs ("Partner Club Chairs") shall be ex officio voting members of the Board. As ex officio directors, the Chief Executive Officer, ACP CEO, and Partner Club Chairs shall not be elected to the Board; provided, however, that a director who ceases to serve as a Partner Club Chair and who is otherwise eligible to serve as an elected director, may be elected to the Board following their ex officio service by a vote as provided below. The number of elected directors authorized to serve on the Board shall be eleven (11). The number of elected directors may be varied from time to time by a resolution of the Board. The elected members of the Board shall be elected by vote of a majority of the members of the Board (in accordance with Section 13 hereof) as follows:

(a) Candidates eligible for election to the Board shall be put forth by a nominating committee of the Board.

(b) Each year a requisite number of members shall be elected to the Board to replace members whose terms have expired. Commencing with the first election of directors in 2020, each member of the Board whose term shall expire at such meeting shall be elected to a one-year term expiring at the first meeting of the Board in the year following such election or, if later, at the first meeting of the Board when director elections are held. In clarification of the foregoing, any member of the Board elected to a multiple-year term prior to January 1, 2020 may continue to serve the duration of such term. Not more than one-third of the members of the Board shall be agents or employees of the Exchange. No person shall be elected as a member of the Board unless he or she is less than seventy-five (75) years of age at the date of election. A person who attains the age of seventy-five (75) while serving as a director may continue to serve until his or her term expires. Additionally notwithstanding the above limitations, the Board, in its discretion in rare and unusual circumstances, may extend the term of any director by resolution of the Board.

(c) Any vacancies occurring in the elected membership of the Board shall be filled by a vote of the majority of the remaining elected members, or, if the number of remaining directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice or (3) a sole remaining director, in each case for the balance of the unexpired term of the vacancy.

(d) The Board shall elect a Chair of the Board from the members of the Board. The Chair of the Board shall preside over meetings of the Board. The Board may elect such other officers of the Board as it may from time to time deem necessary.

### **3. The Attorney in Fact.**

(a) CSAA Insurance Services, Inc. (the "Attorney") shall be appointed by each subscriber as the attorney of the subscribers of the Exchange, as provided for in the aforesaid Act, with full powers of substitution and revocation. The power of attorney shall be substantially in the following form, to wit:

"WHEREAS, at Walnut Creek, California an office is conducted under the name of CSAA INSURANCE EXCHANGE (EXCHANGE), where certain persons, firms and corporations may exchange indemnity against loss or

damage as provided in those provisions of the Insurance Code of the State of California relating to reciprocal insurers.

NOW, THEREFORE, the undermentioned Subscriber, hereby constitutes and appoints CSAA INSURANCE SERVICES, INC., the subscriber's attorney, with full powers of substitution and revocation, and authorizes it, to represent the subscriber from the date hereof until this Power of Attorney is revoked, for the following purposes: To exchange with other subscribers in the Exchange, indemnity and insurance, to the extent herein or hereafter applied for and described, against loss or damage in accordance with those provisions of the Insurance Code of the State of California relating to reciprocal insurers, and to subscribe and deliver all necessary contracts and to perform every act that the subscriber could do in relation to any such contract for the exchange of such indemnity.

It is understood that this Power of Attorney shall be exercised in conformity with and subject to the Rules and Regulations of said Exchange, which Rules and Regulations are hereby assented to and approved by this subscriber, said Rules and Regulations and all modifications thereof to be at all times on file in the office of said Exchange."

(b) The power of attorney referred to in Section 3, subparagraph (a) above, shall be given by subscribers as a separate document, or as incorporated in a subscriber's agreement containing such other terms as the officers of the Exchange may from time to time determine are lawful and appropriate.

#### **4. Officers**

(a) The Board shall elect a Chief Executive Officer. Subject to these Rules and Regulations and the instructions of the Board, the Chief Executive Officer shall have general supervision and shall conduct the business of the Exchange. The Board may elect a President who, subject to the general supervision of the Chief Executive Officer, shall assist the Chief Executive Officer in the conduct the business of the Exchange and shall act as chief executive officer if the office of the Chief Executive Officer is vacant. The Board shall elect a Treasurer/Chief Financial Officer and a Secretary and the Chief Executive Officer may elect such other subordinate officers as he or she may from time to time deem necessary for the conduct of the business of the Exchange. Each of the aforesaid officers shall serve at the pleasure of the Board, and until his or her successor is elected, subject to any contract of employment which may be executed pursuant to Section 12 of these Rules and Regulations.

(b) The Secretary shall keep or cause to be kept, at the principal executive office and such other place as the Board may order, a book of minutes of all meetings of the Board and its committees, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, a copy of the Rules and Regulations at the principal executive office or business office. The Secretary shall give, or cause to be given, notice of all meetings of the Board and of any committees thereof required by these Rules and Regulations and shall have such other powers and perform such other duties as may be prescribed by the Board.

(c) The Treasurer is and shall be referred to as the Chief Financial Officer of the Exchange and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Exchange. The books of account shall at all times be open to inspection by any director. The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Exchange with such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the Exchange as may be ordered by the Board, shall render to the Chief Executive Officer and directors, whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Exchange, and shall have such other powers and perform such other duties as may be prescribed by the Board.

#### **5. Duties of the Attorney.**

The Attorney shall execute and deliver to all subscribers to the Exchange, contracts of indemnity among them as herein provided.

#### **6. Conditions Related to the Power of Attorney.**

Unless otherwise endorsed therein, all Powers of Attorney shall be for no other or different purposes than that specified in these Rules and Regulations, and shall be subject to the following limitations and conditions, to wit:

(a) The Exchange shall at all times maintain the assets, surplus and reserves required by law. In addition thereto, the Board may provide for such additional surplus as the Board may deem appropriate for the further protection of subscribers. No subscriber has any right of control in the conduct of the affairs of the Exchange.

(b) The Exchange shall have power to require such subscriber to pay a premium deposit for the full term of the policy. In addition, the Exchange may offer to subscribers such premium payment plans as may be deemed expedient.

(c) In order to secure the nonassessability of its subscribers, the Exchange has obtained from the Insurance Commissioner of the State of California an order, pursuant to subdivision (a) of Section 1401.5 of said code as amended by Section 1 of Chapter 638 of the Statutes of 1986, that the Exchange need not obtain the certificate provided in Section 1401 of the Insurance Code of the State of California and that its subscribers shall thereafter in perpetuity have no liability for assessment. No subscriber shall have any liability for assessment on a policy issued while such order remains in effect. Should such order be revoked or withdrawn for any reason, a subscriber's contingent liability for losses and expenses under any policy issued subsequent to such revocation or withdrawal, or remaining in force beyond the date fixed for the next payment of premium deposit, shall not exceed an amount equal to and in addition to the amount of premium deposit provided in the policy.

(d) Savings dividends shall be paid with respect to policies issued by the Exchange if, in the discretion of the Board, it is deemed expedient and justified by the Exchange's then present and projected financial condition to do so.

For the purpose of paying savings dividends, the officers of the Exchange shall from time to time designate:

- (i) Those classes or types thereof of insurance coverage; and
- (ii) Those classifications of subscribers thereto or insured thereunder, as follows: (i) individuals who are members of member clubs of the American Automobile Association ("AAA") who have been voluntarily accepted as subscribers by the Exchange, (ii) individuals whom the Exchange is compelled to accept pursuant to the laws of any state relating to Assigned Risks, (iii) groups or organizations to whom other than individual policies have been issued, or (iv) such other classifications of subscribers as may from time to time be designated; and,
- (iii) The states of residence or, in the case of organizations, the states of domicile, of subscribers thereto or insureds

thereunder with respect to which such savings dividends shall be paid.

Savings dividends may be paid by crediting the same to the renewal premium. If the policy is not renewed, or if the savings dividend is to be paid prior to policy renewal, then, in either such case, the designated amount of savings dividend, net of any amounts then owed by the subscriber to the Exchange, may be paid by check or other lawful method. Payment of savings dividends may be conditioned on renewal of the policy.

The amount of savings dividend may be a percentage of the premium deposit, which percentage may vary by class or type for each classification for each state, or may be a fixed sum per policy, policyholder, insured risk, or other classification. The percentage or fixed sum must be uniform within a particular classification, but some classifications, as described above, may receive no savings dividend at the same time that other classifications, as described above, receive a savings dividend.

(e) In the event the Exchange discontinues business, policyholders' surplus (the "Surplus") shall be distributed as determined by the Board. Without limiting the generality of the preceding sentence, the Board shall have the authority to distribute all or a portion of the Surplus to the then existing subscribers, to AAA member clubs with whom the Exchange has distribution arrangements, and to eleemosynary and other not-for-profit organizations whose purposes are consistent with the purposes of the Exchange and AAA. The foregoing notwithstanding, no person, subscriber, policyholder or insured of the Exchange shall have any right, title or interest in the Surplus or other asset of the Exchange.

(f) The Attorney shall have power to institute such legal proceeding or action either in its own name or in the name of the Exchange as may be necessary to enforce the provisions of the Power of Attorney and of the policy.

(g) The Exchange may sue or be sued in its own name. Should it become necessary for any reason to sue the subscribers of said Exchange, the subscriber to avoid a multiplicity of suits shall not bring or maintain any suits or other proceedings at law, or in equity, for the recovery of any claim upon, under or by virtue of such contract of indemnity against more than one (1) of the subscribers at any time, nor shall any suit or proceeding be maintained by him or her in any court other than the highest court of original jurisdiction. In the event that the final decision in any such suit or other proceeding shall be adverse to him or her, such subscriber will bring no suit or other proceeding against any other subscriber. A final decision in any suit or other proceeding by any subscriber against any of the other subscribers shall be taken to be

decisive of similar claims, so far as the same subsist, against such subscriber, absolutely fixing his or her liability in the premises, and he or she shall accept and abide by such final decision in the same manner and to the same effect, as if he or she had been sole defendant in a similar suit or proceeding as to the similar claim against him or her, so far as the same may subsist, save and except, however, as to the matter of costs and disbursement.

(h) The Board shall appoint an actuary who is qualified to render the Statement of Actuarial Opinion required by California Insurance Code Section 923.6 and any regulations issued thereunder, as the same may be amended from time to time. Such actuary, who may be an employee of the Exchange or its affiliates, shall serve at the pleasure of the Board, and until a successor shall be duly qualified and appointed by the Board.

(i) In addition to the foregoing enumerated powers, and subject to such limitations as may be expressed elsewhere in these Rules and Regulations, the Exchange shall have all of the other rights, powers and privileges of a reciprocal or inter-insurance exchange as provided in the Reciprocal or Inter-Insurance Act, and may engage in any other acts or activities not thereby prohibited to a reciprocal or inter-insurance exchange.

#### **7. Eligibility for Exchange Insurance.**

(a) Except as otherwise provided in these Rules and Regulations or as determined by the Exchange after taking into account the requirements of AAA member clubs, or the laws and regulations of the states in which such clubs operate, only members in good standing of AAA member clubs or corporations or firms in which such members are officers or partners shall be eligible to apply for insurance in the Exchange.

(b) Notwithstanding paragraph (a) of this Section 7 of these Rules and Regulations, the Exchange may accept reinsurance of risks from ceding insurers for any class of insurance.

#### **8. Power to Limit Types of Insurance Offered.**

The Board may limit and define the hazards that may be assumed by the Exchange and the amount of insurance that may be written.

#### **9. Investment of Exchange Funds.**

The Board shall exercise control over the funds and assets of the Exchange. Such funds shall be held or invested in accordance with the

provisions of the Insurance Code applicable to the holding and investing of assets by a domestic incorporated insurer. Investments shall be approved by the Board or by a committee thereof charged with the duty of supervising or making such investment when and as provided for in the Insurance Code.

**10. Depositories.**

The depositories of the Exchange shall be such savings and commercial banks domiciled in the United States of America as may be designated by the Board or its investment committee, and the uninvested funds of the Exchange shall be deposited therewith subject to withdrawal upon the order of such person or persons as may be designated by the Board or its investment committee.

**11. Books and Records.**

The books of account and other records of the Exchange shall be maintained in accordance with legal requirements as respecting reciprocal insurance exchanges. Such books of account shall be audited by a certified public accountant at least once each calendar year. Such certified public accountant shall be appointed by the Board.

**12. Contracts of Employment.**

The Board shall have power to enter into contracts of employment with the Chief Executive Officer, or any substitute, and to fix the compensation of the Chief Executive Officer or substitute.

**13. Meetings of the Board; Committees; No Subscriber Voting.**

(a) Regular meetings of the Board shall be held not less than four (4) times during each year at such times and places as the Board may determine by resolution or at such other time and place as may be designated by the Chair of the Board.

(b) The Chair of the Board may call special meetings of the Board at a time and place by him or her designated. A special meeting must be called upon the written request of four (4) members of the Board.

(c) The Secretary shall notify each member of the Board of a special meeting by mailing to his or her last known post office address, first class postage prepaid, at least four (4) days before any such meeting, a written or



printed notice thereof, giving the time, place and purpose of such meeting. A special meeting may be held upon forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means.

(d) Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board individually or collectively consent in writing to such action. Such written consent or consents may be provided by electronic transmission (*e.g.*, electronic mail), and shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the members of the Board.

(e) A majority of the authorized number of directors shall constitute a quorum for the transaction of business, and except as otherwise provided in these Rules and Regulations, every resolution passed by a vote of a majority of members of the Board present when duly assembled shall be a valid, corporate act. Unless a quorum is present, no business may be transacted other than to adjourn the meeting to another time without further notice; provided if the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment shall be given prior to the time of the adjourned meeting to the members of the Board who were not present at the time of adjournment. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

(f) If the Chair of the Board is not present at a meeting of the Board, a Chair may be chosen by a majority vote of the members of the Board present to preside and act at such meeting.

(g) Any member of the Board who fails to attend each of three (3) successive Board meetings may be removed from the Board unless (i) the member requests a leave of absence for a limited period of time, and the leave is approved by the Board (if such leave is granted, the number of members will be reduced by one (1) in determining whether a quorum is or is not present) or (ii) the member suffers from an illness or disability that prevents him or her from attending meetings.

(h) A director may resign effective upon giving written notice to the Chairman of the Board, the Chief Executive Officer, the Secretary or the Board. A vacancy or vacancies in the Board shall be deemed to exist when any authorized position of director is not filled by a duly elected director, whether the vacancy is caused by death, resignation, removal, change in the authorized

number of directors or otherwise. The Board may declare vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office. Vacancies on the Board shall be filled in accordance with Section 2(b) of these Rules and Regulations.

(i) Members of the Board may participate in a meeting through the use of conference telephone, electronic video screen equipment, or electronic transmission by and to the Exchange. Participation in a meeting through use of conference telephone or electronic video screen communication constitutes presence in person at such meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through electronic transmission by and to the Exchange (other than conference telephone and electronic video screen communication) constitutes presence in person at that meeting if both of the following apply: (a) each member participating in the meeting can communicate with all of the other members concurrently; and (b) each member is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Exchange.

(j) Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes of the meeting, whether before or after the meeting, or who attends the meeting without protesting, before the meeting or at its commencement, the lack of notice to such director. All such waivers, consents and approvals as to an Board meeting shall be filed with the Exchange's records or made a part of the minutes of the meeting.

(k) A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were present at the time of the adjournment.

(l) Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board.

(m) A director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of

the Exchange and its subscribers and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

- (i) One (1) or more officers or employees of the Exchange whom the director believes to be reliable and competent in the matters presented;
- (ii) Counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or
- (iii) A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence,

so long as, in the case of clauses (i) through (iii) above, the director acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause reliance to be unwarranted.

(n) Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Exchange and the Attorney and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

(o) The Board may, by resolution adopted by a majority of the authorized number of directors, designate one (1) or more committees, each consisting of two (2) or more directors, to serve at the pleasure of the Board. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent members at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any such committee, to the extent provided in the resolution of the Board or in the Rules and Regulations, shall have all the authority of the Board, except with respect to:

- (i) The filling of vacancies on the Board or in any committee;

- (ii) The fixing of compensation of the directors for serving on the Board or on any committee;
- (iii) The amendment or repeal of Rules and Regulations or the adoption of new Rules and Regulations;
- (iv) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; or
- (v) The appointment of other committees of the Board or the members thereof.

Any such committee must be appointed by resolution adopted by a majority of the authorized number of directors and may be designated an Executive Committee or by such other name as the Board shall specify. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of the Rules and Regulations applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee. Any such committee serves at the pleasure of the Board. Any action required or permitted to be taken by a committee may be taken without a meeting by all the members thereof if all members shall individually or collectively consent in writing to such action. Such consent or consents shall have the same effect as a unanimous vote of the committee and shall be filed with the Minutes of the proceedings of the committee. The following committees shall be standing committees of the Board and the members of the committees, terms of service, and powers of the committees shall be determined by the Board: (i) Finance & Investment Committee; (ii) Compensation & Governance Committee; (iii) Nominating Committee; and (iv) Audit Committee.

(p) Subscribers do not have voting rights with respect to the affairs of the Exchange. The foregoing notwithstanding, the Board may put matters pertaining to the business of the Exchange before the subscribers. Any such matter to be determined by a vote of the subscribers shall be done pursuant to such procedures, including without limitation, quorum, proxy and notice requirements, as may be determined from time to time by the Board.

(q) Except as expressly permitted by law or by the terms of any insurance policy, the Exchange shall not make any loan of money or property to or guarantee the obligation of any director or officer of the Exchange.

#### **14. Amendments.**

Amendments to these Rules and Regulations may be adopted by the affirmative vote of two-thirds of the Board at any regular or special meeting thereof.

#### **15. Indemnification.**

For the purposes of this Section 15, *agent* means any person who is or was a member of the Board, officer, employee, or other agent of the Exchange, or is or was serving at the request of the Exchange as a director, officer, attorney in fact, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, *proceeding* means any threatened, pending, or completed claim, action or proceeding, whether civil, criminal, administrative, or investigative; and *expenses* includes, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under these Rules and Regulations.

(a) The Exchange shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the Exchange to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Exchange, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if that person acted in good faith and in a manner that person reasonably believed to be in the best interests of the Exchange, and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of that person was unlawful. The termination of any proceedings by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Exchange or that the person had reasonable cause to believe that the person's conduct was unlawful.

(b) The Exchange shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding consisting of a proceeding which is an action by or in the right of the Exchange to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Exchange, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of that action if that person acted in good faith, in a manner that person believed to be in the best interests of the Exchange and its subscribers. No indemnification shall be made under this paragraph (b) for any of the following:

- (i) In respect of any claim, issue, or matter as to which that person shall have been adjudged to be liable to the Exchange in the performance of that person's duty to the Exchange and its subscribers, unless and only to the extent that the court in which that proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, that person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine; or
- (ii) Of amounts paid in settling or otherwise disposing of a pending action without court approval; or
- (iii) Of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

(c) To the extent that an agent of the Exchange has been successful on the merits in defense of any proceeding referred to in paragraphs (a) or (b) above, or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(d) Except as provided in paragraph (c) above, any indemnification shall be made by the Exchange only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraphs (a) or (b) above, by any of the following:

- (i) A majority vote of a quorum consisting of members of the Board who are not parties to the proceeding; or
- (ii) If such a quorum of members of the Board is not obtainable, by independent legal counsel in a written opinion; or
- (iii) The court in which such proceeding is or was pending upon application made by the Exchange or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Exchange.

(e) Expenses incurred in defending any proceeding may be advanced by the Exchange (and shall be advanced to any director) before the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the agent to repay the amount of the advance if it shall be determined

ultimately that the agent is not entitled to be indemnified as authorized in these Rules and Regulations.

(f) The indemnification provided herein shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled by contract or otherwise. The indemnification provided herein shall inure to the benefit of the heirs, executors and administrators of the person.

(g) No indemnification or advance shall be made, except as provided in paragraph (c) or (d)(iii), in any circumstance where it appears:

- (i) That it would be inconsistent with these Rules and Regulations, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification.
- (ii) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(h) The Exchange shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Exchange would have the power to indemnify the agent against that liability under the provisions of these Rules and Regulations.

(i) The provisions of this Section 15 do not apply to any proceeding against any trustee, investment manager, or other fiduciary of an employee benefit plan in that person's capacity as such, even though that person may also be an agent of the Exchange as defined above. The Exchange shall have the power to indemnify such trustee, investment manager, or other fiduciary to the extent described in Section 207(f) of the California Corporations Code.

VERIFICATION

I, the undersigned, say:

That I am the Secretary of CSAA Insurance Exchange and am authorized to make this verification on its behalf.

I have read the foregoing document and know its contents and that said document is a true and exact copy of the Rules and Regulations of CSAA Insurance Exchange effective as of January 1, 2020.

I certify under penalty of perjury that the foregoing is true and correct. Executed October 1, 2019, in Walnut Creek, California.



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Michael J. Zukerman