

**PENNSYLVANIA NATIONAL MUTUAL CASUALTY INSURANCE COMPANY**

**BYLAWS**

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## **ARTICLE I – NAME, PURPOSE, PRINCIPAL OFFICE**

**1. Name.** The name of the Company shall be the Pennsylvania National Mutual Casualty Insurance Company (hereinafter referred to as the “Company”).

**2. Purpose.** The purpose of this Company shall be to do those things permitted by the Company’s Charter, as it may be amended or restated, and to exercise all the rights and powers conferred upon the Company by law.

**3. Principal Office.** The principal office of the Company shall be in the Commonwealth of Pennsylvania. The Company may also have offices at such other places within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time designate or the business of the Company may require.

## **ARTICLE II - MEMBERSHIP**

**1. Members.** All persons and entities insured by the Company shall be members of the Company during the period they remain so insured and no longer. Each member shall have the right to one vote, in person or by proxy as permitted by the Pennsylvania Associations Code, whether such member has one or more policies with the Company. Each policy covering more than one person or entity shall be entitled to one vote, which shall be cast by the policy’s First Named Insured.

**2. Annual Members Meeting.** An annual meeting of the members shall be held at the Company’s executive office on such date and at such time as may be designated by the Board of Directors. The Company’s Directors shall be elected and other Company

business may be transacted at the annual meeting. Notice of such annual meeting may be given in any manner permitted under the Pennsylvania Associations Code.

**3. Special Meetings.** Special meetings of the members may be called at any time by the President and shall be called by the President or Secretary at the written request of a simple majority of the Board of Directors; the time and place of such meeting to be determined by the Board of Directors. A request for a special meeting may be made by no less than thirty percent (30%) of all members entitled to vote, in writing, to the Secretary of the Company, which request shall be signed by all persons making the request and shall state the purpose or purposes of the proposed special meeting. Upon receipt of any such request, the Secretary shall fix the place, date and hour of such meeting, which shall be not more than sixty (60) days after the receipt of the request, and shall give notice thereof at least thirty (30) days in advance of such meeting in any manner permitted by the Pennsylvania Associations Code. No business shall be transacted at a special meeting other than that described in the notice.

**4. Quorum.** At all meetings of the members, not less than fifty (50) thereof either present or represented by proxy, shall constitute a quorum for the transaction of business. In the absence of a quorum, meetings of the members may be adjourned from time to time without notice other than by announcement at the meeting. At any such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the meeting as originally called.

**5. Members of Record.** In order that the Company may determine the members entitled to notice of any meeting or to vote at any such meeting, the Board may fix by resolution in advance a record date that shall not be more than sixty (60) or less than ten (10) days prior to the date of such meeting.

### **ARTICLE III - BOARD OF DIRECTORS**

**1. Election, Number and Term of Directors.** The Board of Directors shall consist of not less than seven (7) nor more than fifteen (15) members, and shall include the President of the Company as an ex-officio Director. A majority of the Directors shall be residents of the Commonwealth of Pennsylvania and no less than two-thirds (2/3) of the Directors shall be citizens of the United States of America. The Directors shall annually elect a Chair of the Board of Directors to preside over all meetings of the Members and Directors and to exercise such powers and duties as from time to time may be conferred upon or assigned to him or her by the Board of Directors. The Directors may also elect a Vice Chair who shall exercise all functions of the Chair in his or her absence, and such additional powers or duties as may be assigned from time to time by the Board of Directors. Additional Vice Chairs may be appointed as the Board of Directors, in its discretion, may deem appropriate.

**2. Classes of Directors.** The Directors shall be divided into three classes: Class A, Class B and Class C, each of which shall consist of not less than two nor more than five Directors. At each annual meeting of the members, upon nomination by the Nominating Committee, one class of Directors shall be elected for a term of three (3) years to serve until their successors are elected and qualified.

**3. Powers.** The Directors shall manage the business and affairs of the Company and may exercise all powers of the Company and do all such lawful acts and things that are not specifically reserved or granted to the members by law, these Bylaws or the Company's Charter.

**4. Termination.** Any member of the Board of Directors may resign at any time by giving written notice to the Board of Directors. Such resignation shall take effect at the time specified therein, or if no time is specified at the time of acceptance thereof as determined by the Board. Any Director may be removed for cause by the affirmative vote of a majority of the other members of the Board at a regular or special meeting of the Board of Directors.

**5. Vacancies.** Vacancies on the Board of Directors may be filled by a simple majority vote of the remaining members of the Board of Directors until the next annual meeting of the members, at which time a successor shall be elected by the members to fill the remainder of the unexpired term.

**6. Meetings.** Meetings of the Board of Directors may be held at such place and times as designated by the Board of Directors.

**7. Special Meetings.** Special meetings of the Board of Directors may be called at any time by the President, and shall be called by the President or Secretary upon written request of a simple majority of the Directors upon five (5) days' written notice to each Director stating the time, place, and purpose of such meeting.

**8. Quorum.** A simple majority of the Board of Directors shall constitute a quorum to transact business at any meeting.

**9. Compensation.** Directors, other than those who are also officers of the Company, shall be entitled to such compensation for their services as shall be determined by the Board.

**10. Director Participation.** If any Director shall have two (2) unexcused absences from regular meetings of the Board of Directors during a single administrative year, the Board of Directors shall consider the reason for the Director's absence and, after



such consideration, may by affirmative vote of a simple majority of the other members on the Board declare the absentee Director's seat to be vacant, in which case the vacancy shall be filled as provided for herein.

**11. Electronic Participation.** Any Director who is unable to attend in person may participate in a meeting of the Board of Directors or any committee thereof in any manner permitted by the Pennsylvania Associations Code.

**12. Ratification.** Notwithstanding anything to the contrary contained herein, any action that may be taken at a meeting of the Directors or any duly-designated committee thereof, may be taken without a meeting, but only if a consent or consents in writing setting forth the action so taken shall be signed by all of the Directors or members of the committee, as the case may be, and filed with the Company's Secretary.

**13. Personal Liability.** No director shall be personally liable for any action taken or any failure to take action as a Director unless: (1) the director has breached or failed to perform the duties of his office as set forth in the Pennsylvania Associations Code; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this section shall not apply to: (1) the responsibility or liability of a director pursuant to any criminal statute; or (2) the liability of any director for the payment of any taxes pursuant to local, state or federal law. The immunity and other rights and privileges set forth herein shall be construed to grant the maximum protection allowed by the laws of the Commonwealth of Pennsylvania and shall in no way be construed to be a restriction or a limitation of any other right, privilege or immunity granted by the laws of the Commonwealth of Pennsylvania.

## ARTICLE IV –OFFICERS

**1. Officers.** The Officers of the Company shall be elected by the Board of Directors and shall include a President, Secretary and Treasurer. The Directors may also appoint one or more Vice Presidents. The Secretary and Treasurer shall serve for a term of one year and until their successors are duly elected and qualified. The President shall serve at the pleasure of the Board and may appoint and employ such other officers as may, from time to time, be deemed necessary for the proper conduct of the business and affairs of the Company and fix and prescribe their salary and their duties.

**2. Vacancies.** In case of a vacancy in any of the offices described in Section 1 of this Article, the Board of Directors, by an affirmative vote of a simple majority thereof, shall elect a successor to hold office for the unexpired portion of the term, and until the election of a successor.

**3. Powers.** Each Officer shall have the authority customarily attributed to their office and the authority permitted or required by law to fully and efficiently perform the duties of their office according to the law and under the direction of the Board.

**4. Compensation.** The compensation of the Officers shall be fixed by the Benefits and Compensation Committee.

## ARTICLE V- COMMITTEES

**1. Establishment and Powers.** The Board of Directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the Company, including without limitation, the Executive, Audit, Finance, Governance, Nominating and Benefits and Compensation Committees. One-third (1/3) of the members of each committee so

established by the Board of shall be Independent Directors. Unless otherwise limited by the Board of Directors, “Independent Director” shall mean a director who is not an officer or employee of the Company or of any entity controlling, controlled by or under common control with the Company, as those terms are defined in the Pennsylvania Insurance Holding Companies Act, 40 P.S. § 991.1401 or any successor provision. Any committee, to the extent provided by the Board of Directors, shall have and may exercise all of the powers and authority of the Board of Directors except as restricted by law.

**2. Executive Committee.** The Board of Directors may establish and appoint an Executive Committee, provided that all members of the Executive Committee shall be directors in office; at least one-third (1/3) of the members of the Executive Committee shall be Independent Directors; and the President of the Company shall be a member of the Executive Committee.

The Chair of the Board of Directors shall serve as the chair of the Executive Committee. The Executive Committee shall be subject in all respects to the authority and direction of the Board of Directors and, between meetings of the Board of Directors, the Executive Committee shall have and exercise the power and authority of the Board of Directors in the management of the business and affairs of the corporation to the extent allowed by applicable law.

**3. Audit Committee.** The Board of Directors shall establish and appoint an Audit Committee. The Audit Committee shall consist of three (3) or more Independent Directors. The Audit Committee shall recommend to the Board of Directors the selection, retention and/or termination of independent certified public accountants. The Audit Committee shall also review the Company’s financial condition, the scope and results of the independent audit and any internal audit, and such other tasks as designated by the Board.

**4. Nominating Committee.** The Board of Directors shall establish and appoint a Nominating Committee. The Nominating Committee shall consist of three (3) or more Independent Directors. The Nominating Committee shall nominate persons for election by the policyholders to serve as directors and recommend to the Board of Directors the selection of the elected officers.

**5. Benefits and Compensation Committee.** The Board of Directors shall establish and appoint a Benefits and Compensation Committee. The Benefits and Compensation Committee shall consist of three (3) or more Independent Directors. The Benefits and Compensation Committee shall evaluate the performance of the elected officers and recommend to the Board of Directors the compensation of the elected officers.

**6. Alternate Committee Members.** The Board of Directors may designate one or more persons as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee, provided that (1) all members of the Executive, Audit, Nominating and Benefits and Compensation Committees shall at all times be directors; and (2) all members of the Audit, Nominating and Benefits and Compensation Committees shall at all times be Independent Directors.

**7. Term.** Each committee of the Board of Directors shall serve at the pleasure of the Board.

**8. Committee Procedures.** The term "board of directors" or "board," when used in any provision of these Bylaws relating to the organization or procedures of or the manner of taking action by the Board of Directors, shall be construed to include and refer to any executive or other committee of the Board, including the requirement that at least one (1) independent director shall be included in any quorum for the transaction of business at any meeting of a committee. Notwithstanding anything to the contrary in these Bylaws, each

committee of the Board of Directors shall have those powers expressly delegated to that committee in these Bylaws, in a resolution adopted by the Board of Directors, or in that committee's respective charter as approved by the Board of Directors, and the Board of Directors of the Company shall retain all of its other powers.

## **ARTICLE VI - INDEMNIFICATION**

**1. Definitions.** The capitalized terms used in this Article VI shall have the meanings set forth below:

- a. "Affiliate" shall have the meaning as set forth in Section 2552 of Title 15 of the Pennsylvania Consolidated Statutes Annotated and any successor section.
- b. "Company" shall include any domestic or foreign predecessor or successor entity of the Company in a merger, consolidation or other transaction in which the predecessor's or the Company's existence ceased upon a consummation of the transaction.
- c. "Indemnified Capacity" means any and all past, present and future services by an Indemnified Representative as a Director, Officer, agent, employee or representative of the Company or of an Affiliate, or, at the request of the Company or an Affiliate (as evidenced by a writing signed by the Chair or President of the Company or a resolution adopted by the Board of Directors), as a director, officer, agent, employee, representative, fiduciary or trustee of another Company, partnership, joint venture, trust, employee benefit plan or other entity.

- d. “Indemnified Representative” means any and all Directors and Officers of the Company and any Affiliate and any other person designated as an Indemnified Representative by the Chair, the President or the Board of Directors of the Company.
- e. “Liability” means any amount paid in settlement, costs, damages, excise taxes (assessed with respect to an employee benefit plan), expenses (including attorneys’ fees and disbursements), fines, liabilities, losses, judgments, penalties and punitive damages of any nature.
- f. “Proceeding” means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative and whether brought by or in the right of the Company or any Affiliate in which an Indemnified Representative is a party or witness.

**2. Indemnification.** The Company shall indemnify each Indemnified Representative to the fullest extent permitted by law against any Liability incurred in connection with any Proceeding in which the Indemnified Representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an Indemnified Capacity, except: (a) to the extent indemnification has been finally determined by a final, nonappealable order of a court of competent jurisdiction to be prohibited by applicable law; or (b) as provided in section 3 of this Article VI.

**3. Proceedings Initiated by Indemnified Representatives.** Notwithstanding any other provision of this Article, the Company shall not indemnify an Indemnified Representative for any Liability incurred in a Proceeding the Indemnified

Representative either initiated (but not including counterclaims) or participated in as an intervenor or *amicus curiae* unless the initiation of, or participation in, the Proceeding is authorized either before or after its commencement, by the Board of Directors.

**4. Advancement of Expenses.** The Company shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an Indemnified Representative in advance of the final disposition of a Proceeding described in section 2 of this Article VI or the initiation of or participation in which is authorized by the Board of Directors pursuant to section 3 of this Article VI upon receipt of an undertaking by or on behalf of the Indemnified Representative to repay the amount if it is determined by a final, nonappealable order of a court of competent jurisdiction that the Indemnified Representative is not entitled to be indemnified by the Company. The financial ability of an Indemnified Representative to repay an advance shall not be a condition to the making of an advance.

**5. Non-Exclusivity.** The rights to indemnification and advancement of expenses provided by this Article VI shall not be deemed exclusive of any other rights to which an Indemnified Representative may now or hereafter be entitled under any policy of insurance, trust fund, agreement, statute, provision of the Company's Charter or articles of incorporation, vote of Members or Directors, written opinion by independent legal counsel, or otherwise.

**6. Contract Rights and Vesting.** All rights under this Article VI shall be deemed to constitute a contract between the Company and each Indemnified Representative to which the Company and each Indemnified Representative intend to be bound. The right of any Indemnified Representative to indemnification under this Article VI shall vest at the time of occurrence or performance of

any event, act or omission giving rise to a Proceeding and, once vested, shall not later be impaired, but can be enhanced, as a result of any amendment, repeal, alteration or other modification of any or all of this Article VI.

**7. Continuation of Rights.** The rights granted pursuant to this Article VI shall continue as to an Indemnified Representative who has ceased to serve in an Indemnified Capacity and shall inure to the benefit of the estate, heirs, executors and administrators of such Indemnified Representative.

**8. Security for Indemnification Obligations.** The Company shall purchase and maintain insurance on behalf of any Indemnified Representative, enter into contracts of indemnification with any Indemnified Representative, create a fund of any nature (which may, but need not be, under the control of a trustee) for the benefit of any Indemnified Representative and otherwise secure, in any manner, its obligations with respect to indemnification and advancement of expenses, whether arising under this Article VI or otherwise, whether or not the Company would have the power to indemnify the Indemnified Representative against such liability under any provision of law, except as provided in Section 1746(b) of the Pennsylvania Associations Code.”.

**9. Recovery.** An Indemnified Representative may bring suit against the Company to recover the unpaid amount of: (a) a claim under section 2 of this Article VI that is not paid in full by the Company within thirty (30) calendar days after a written claim has been delivered to the Secretary of the Company, and (b) a claim under section 4 of this Article VI that is not paid in full by the Company within ten (ten) calendar days after a written claim has been delivered to the Secretary of the Company. The rights to indemnification and advancement of fees and expenses provided in this Article VI shall be enforceable by an Indemnified Representative in any court of competent jurisdiction. If the Indemnified Representative is successful in whole or in part in any such



suit or in any action brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnified Representative shall be entitled to be paid also the expense (including legal fees and disbursements) of prosecuting or defending such suit. Pending the ultimate disposition of any such suit, the Company shall pay all amounts demanded by the Indemnified Representative within the time required by this section regardless of the position it may take in respect of such suit or otherwise. In any proceeding brought by the Indemnified Representative to enforce a right to indemnification or to an advancement of expenses, or brought by the Company to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnified Representative is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Company.

**10. Changes in Law.** The indemnification provisions of this Article VI shall be interpreted in accordance with, and governed by, Pennsylvania law as it existed on the date this Article VI was adopted or last amended or as such law thereafter may be changed; provided that:

- a. in the case of any change in law that expands the liability of an Indemnified Representative or limits the indemnification rights or the rights to advancement of expenses that the Company may provide, the rights to limited liability, to indemnification and to the advancement of expenses provided in this Article VI shall continue as in effect prior to the change in law, to the extent permitted by law; and
- b. if such change permits the Company to limit further the liability of an Indemnified Representative or to provide broader indemnification right or rights to the advancement of expenses than the Company was permitted to provide prior to

such change, then liability shall thereafter be so limited and the rights to indemnification and the advancement of expenses shall be so broadened to the extent permitted by law, and this Article VI shall be deemed to have been so amended without any further action by the Members or Director to amend these Bylaws.

### **ARTICLE VII - MISCELLANEOUS**

**1. Amendments.** These Bylaws may be altered or amended at any regular meeting of the Board of Directors or at a special meeting called for that purpose, by a simple majority vote of the Directors present, subject to the power of the members to change such action. Any such proposed change or amendment to the Bylaws shall be filed with the Secretary at least thirty (30) days in advance of the date of the meeting and due notice shall be given to the Directors, unless the Directors present, by unanimous consent, shall waive the requirements of prior notice. No amendment shall be adopted that would render the Company non-compliant with applicable law or alter the basic purpose of the Association.

**2. Assignment.** No person or entity may assign any right, claim or interest it may have under these Bylaws.

**3. Construction.** These Bylaws shall be governed by the laws of the Commonwealth of Pennsylvania.

**4. Severability of Invalid Provisions.** If any one or more of the provisions contained in these Bylaws shall for any reason be held to be invalid, illegal or unenforceable in any respect, such provision or provisions shall be deemed severable from the remaining provisions contained herein, and such invalidity, illegality or unenforceability shall not affect any other provision hereof and the remaining

parts of these Bylaws shall be construed so as to give practical realization to the purposes intended to be achieved by the parties as if such invalid or illegal or unenforceable provision had never been contained herein.

**5. Parliamentary Rules.** All meetings of the Company, the Board of Directors and all committees shall be conducted in accordance with Robert's Rules of Order, last revised.

**6. Notices and Waivers Thereof.** Whenever, under the provisions of applicable law, the Company's Charter or of these Bylaws, written notice is required to be given to any person, it may be given in any manner permitted by the Pennsylvania Associations Code. Any written notice that is required to be given to any person may be waived in writing signed by the person entitled to such notice, whether before or after the time when the notice would otherwise be required to be given. Attendance of any person entitled to notice, whether in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where any person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted, nor the purpose of the meeting, need be specified in the waiver of notice of such meeting.

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