

ARTICLES OF ORGANIZATION
OF
WASHINGTON STATE HEALTH INSURANCE POOL

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ARTICLES OF ORGANIZATION
OF
WASHINGTON STATE HEALTH INSURANCE POOL

The undersigned, acting as the board of directors of the Washington State Health Insurance Pool (“WSHIP”) under the provisions of the Washington State Health Insurance Coverage Access Act, Chapter 48.41 RCW (the “WSHIP Act”), hereby adopts the following articles of organization:

ARTICLE I - NAME

The name of this entity is:

WASHINGTON STATE HEALTH INSURANCE POOL

ARTICLE II - DURATION

The period of its duration is perpetual.

ARTICLE III - PURPOSES

The purpose of WSHIP is to engage in the activities, perform the functions and carry out the duties and responsibilities specified in the “WSHIP Act”. In so doing, the purpose of WSHIP is to provide access to coverage for medical care on a not-for-profit basis in conformance with the requirements of Section 501(c)(26) of the Internal Revenue Code of 1986, as may be amended from time to time (the “IRS Code”).

ARTICLE IV - POWERS

WSHIP shall have the power to take any lawful action necessary, appropriate or desirable to carry out its purposes consistent with the WSHIP Act and Section 501(c)(26) of the IRS Code.

ARTICLE V - PROHIBITED ACTIVITY

Notwithstanding any of the provisions of these articles of organization, WSHIP shall not conduct or carry on activities not permitted to be conducted or carried on by an organization exempt from federal income tax under Section 501(c)(26) of the Code. No part of the net earnings of WSHIP shall inure to the benefit of any member, director, officer or private individual.

ARTICLE VI – MEMBERS AND DIRECTORS

A. Designation and Qualifications of Members. WSHIP shall have four classes of members designated as “Class A Members,” “Class B Members,” “Class C Members,” and “Class D Members” and shall have no capital stock.

1. Class A Members. Class A Members shall include all commercial insurers licensed under Title 48 RCW who provide disability insurance or stop loss insurance. Class A Members shall not include any insurer whose products are exclusively dental products or those products excluded from the definition of “health coverage” set forth in RCW 48.41.030(10).

2. Class B Members. Class B Members shall include all health care service contractors licensed under Title 48 RCW. Class B Members shall not include any health care service contractor whose products are exclusively dental products or those products excluded from the definition of “health coverage” set forth in RCW 48.41.030(10).

3. Class C Members. Class C Members shall include all health maintenance organizations licensed under Title 48 RCW. Class C Members shall not include any health maintenance organization whose products are exclusively dental products or those products excluded from the definition of “health coverage” set forth in RCW 48.41.030(10).

4. Class D Members. Class D Members shall include all entities included within the definition of “Member” specified in RCW 48.41.030(14) other than the entities included as Class A Members, Class B Members or Class C Members.

B. Commencement and Termination of Membership. All organizations who satisfy the membership eligibility requirements as of the effective date of these articles of organization shall be deemed members of WSHIP automatically effective on the date that these articles of organization become effective. All organizations who satisfy the membership eligibility requirements after the effective date of these articles of organization shall become members of WSHIP automatically effective on the date that they become licensed under Title 48 RCW. The membership of a member shall be terminated automatically upon such member’s failure to meet the qualifications set forth in subparagraph A above.

C. Board of Directors. WSHIP’s board of directors shall be composed of ten (10) directors, of which six shall be appointed by the governor of the State of Washington pursuant to the procedures specified in Section RCW 48.41.040(2), one shall be elected by a vote of the Class A Members, one shall be elected by a vote of the Class B Members, one shall be elected by a vote of the Class C Members and one shall be elected by a vote by all members of WSHIP. No more than one director may be employed by the same member or an affiliate of the same member. In addition to the ten voting directors, the insurance commissioner of the State of Washington shall be a nonvoting, *ex officio* director.

The names of the persons who shall serve as the voting directors until the expiration of their terms of office, as specified below, and until their successors are elected and qualified, are as follows:

<u>Director</u>	<u>Term of Office</u>
Peter McGough	May 31, 2004
Beth Pitt	May 31, 2003
Patti Carter	May 31, 2005
Sean Corry	May 31, 2003
Bob Crittenden	May 31, 2004
Bernie Dochnahl	May 31, 2003
David Toomey	May 31, 2005
Pat Maddock	May 31, 2005
Bob Moore	May 31, 2004
Rob Kuecker	May 31, 2003

D. Voting. Each member entitled to vote shall have its vote weighted based on the formula specified in RCW 48.41.090 to determine the amount of assessments payable by that member to WSHIP during the previous calendar year. Members may vote in person, by mail, by electronic transmission, or by proxy in the manner described in WSHIP bylaws so long as the name of each candidate to be so voted upon are set forth in a writing accompanying or contained in the notice of the meeting. Members voting by mail, electronic transmission or proxy shall be deemed present for all purposes of quorum and count of votes.

E. Member Voting Rights Limited. With the exception of voting on the election of directors as described above, members of WSHIP shall have no voting rights with respect to any matter relating to WSHIP.

F. Notice of Regular Meetings. Notice of regular meetings of the members other than annual meetings may be made by providing each member with the adopted schedule of regular meetings for the ensuing year at any time after the annual meeting and ten days prior to a regular meeting and at any time when requested by a member or such other notice as may be prescribed by WSHIP's bylaws.

ARTICLE VII - BYLAWS

Provisions for the regulation of the internal affairs of WSHIP shall be set forth in the bylaws of WSHIP.

ARTICLE VIII - (RESERVED FOR FUTURE USE)

~~LIMITATION OF DIRECTOR LIABILITY~~

~~In addition to the limitations on liability specified in the WSHIP Act, a director of WSHIP shall not be personally liable to WSHIP for monetary damages for conduct as a director, except for liability of the director (i) for acts or omissions which involve intentional misconduct by the director or a knowing violation of law by the director, or (ii) for any transaction from which the director~~

~~personally receives a benefit in money, property or services to which the director is not legally entitled. If the WSHIP Act is amended to authorize further eliminating or limiting the personal liability of directors, then the liability of a director of WSHIP shall be eliminated or limited to the fullest extent permitted by the WSHIP Act, as so amended, without any requirement of further action by WSHIP or its directors.~~

~~———— No amendment to or repeal of this Article shall adversely affect any right of protection of any director of WSHIP occurring after the date of the adoption of this Article and prior to such amendment or repeal.~~

ARTICLE IX - INDEMNIFICATION

WSHIP shall indemnify any director or officer of WSHIP who is involved in any capacity in a proceeding (as defined in RCW 23B.08.500, as presently in effect and as hereafter amended) by reason of the position held by such person or entity in WSHIP, to the full extent allowed by applicable law, as presently in effect and as hereafter amended; provided, however, that WSHIP shall only indemnify a director or officer seeking indemnification in connection with a proceeding initiated by such person if such proceeding or part of a proceeding was authorized by the Board of Directors or if such proceeding was brought by a director or officer to enforce a claim for indemnification under this Article and a court or an arbitrator determines that the director is entitled to all of the relief claimed.

By means of a resolution or of a contract specifically approved by the Board of Directors, WSHIP may indemnify an employee or agent to such degree as the Board of Directors determines to be reasonable, appropriate, and consistent with applicable law and to be in the best interests of WSHIP.

The Board of Directors of WSHIP shall have the right to designate the counsel who shall defend any person or entity who may be entitled to indemnification, to approve any settlement, and to approve in advance any expense.

Reasonable expenses incurred by a director or officer, who is involved in any capacity in a proceeding by reason of the position held in WSHIP, shall be advanced by WSHIP to the full extent allowed by applicable law, as presently in effect and as hereafter amended, unless and until it is determined that such person is not entitled to be indemnified. Reasonable expenses incurred by an employee or agent who is involved in any capacity in a proceeding by reason of the position held by such person or entity in WSHIP may be, but is not required to be, advanced by WSHIP prior to the final disposition of such proceeding up to the full extent allowed by applicable law, as presently in effect and as hereafter amended, unless and until it is determined that such person is not entitled to be indemnified. Expenses shall not be advanced to any director, officer, employee or agent unless that person first promises in a writing delivered to WSHIP to repay all amounts advanced by WSHIP in the event that it is later determined that such person is not entitled to be indemnified.

WSHIP may purchase and maintain insurance on behalf of any person who is a director, officer, employee, or agent of WSHIP or is serving at the request or consent of WSHIP as an

officer, employee, or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability incurred by such person because of such person's status, whether or not WSHIP would have the power to indemnify such person against such liability under the provisions of this Article. In addition, WSHIP may enter into contracts with any director, officer, employee or agent of WSHIP in furtherance of the provisions of this Article and may create a trust fund, grant a security interest, or use other means (including without limitation a letter of credit) to ensure the payment of such amounts as may be necessary or desirable to effect the indemnification and advances contemplated in this Article.

The right to indemnification conferred by or pursuant to this Article shall be interpreted to conform with, and shall not create any right that is inconsistent with, applicable law, as presently in effect and as hereafter amended. To the full extent allowed by applicable law (as presently in effect and as hereafter amended), the right to indemnification conferred by or pursuant to this Article shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person. The rights conferred by or pursuant to this Article shall not be exclusive of any other rights which any person may have or acquire under any applicable law (as presently in effect and as hereafter amended), these articles of organization, the bylaws of WSHIP, a vote of the Board of Directors of WSHIP, or otherwise.

Notwithstanding any other provision of this Article, no indemnification shall be provided to any person if in the opinion of counsel payment of such indemnification would cause WSHIP to lose its tax exempt status, if any, from federal income taxation.

No amendment to or repeal of this Article shall adversely affect any right of any director, officer, employee or agent for events occurring after the date of the adoption of this Article and prior to such amendment or repeal.

ARTICLE X - AMENDMENT OF ARTICLES

These articles of organization may be altered, amended or repealed, and new articles of organization may be adopted, by an affirmative vote of a supermajority of the Board of Directors equal to seventy percent (70%) of the full board. No such alteration, amendment, repeal or adoption of new articles shall be effective until they have been submitted to the Washington State Office of Insurance Commissioner and approved in compliance with the requirements of RCW 48.41.040.

Signed: _____

Mike Kreidler
Insurance Commissioner

Date: _____