



January 28, 2020

TO: All Agents, County and Local Presidents & Secretaries

FROM: Mason Mungle, Chairman, AFRMIC  
Scott Blubaugh, President, OFU

RE: Summary of 2020 Proposed Bylaws and Certificate Changes with Additional Approved Revisions

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Over the years, American Farmers & Ranchers Mutual insurance Company (“AFRMIC”) has undergone a multitude of piece-meal modifications to its original Certificate of Incorporation and Bylaws. As a result of the yearly governance document changes, the changes in the governance structure, and the changes in varying degrees of overlap between AFRMIC and the Oklahoma State Union of the Farmers Educational and Co-operative Union of America, Inc. (“State Union”) over the years, the AFRMIC Bylaws and Certificate of Incorporation contain ambiguities, duplicative language and provisions, deficiencies in organization/flow, contradictions, inconsistencies, and other untypical provisions negatively affecting the governing ability of AFRMIC. As a result, revisions to the corporate governance documents are proposed to address these issues, provide efficient governance while protecting Policyholders’ voices, better reflect the current voting practices of AFRMIC, and set in place forward-looking documents that provide more clarity in corporate governance and participation. A few additional revisions are also now being proposed after incorporating feedback from Policyholders. Although numerous revisions were approved for organization, clarity, and ease of governance, the following summarizes the major substantive changes to the AFRMIC corporate governance documents:

- ❖ **Clarifying definition of Policyholder:** Policyholder status tied to one “holder” of insurance policy consistent with statute and to reduce potential ambiguity
  - Entities, corporations, boards, or associations tied to an individual

- Holder is the first named insured unless AFR notified in writing
- One vote per Policyholder regardless of number of policies
- Membership as Policyholder not transferrable
- ❖ **True representative form of governance:** Policyholders vote to elect Delegates and Alternate Delegates at Local Mutual to better reflect current practices of AFRMIC and provide additional separation between AFRMIC and the State Union
  - Voting to take place at Local Mutual rather than Local Union to provide additional separation
  - Local Mutual Meeting will occur before or after Local Union Meeting
  - Local Mutual parallels Local Union to the extent practicable
  - Local Mutual and Local Union cost-share shared expenses at meetings
  - Delegates entitled to one vote at Policyholder Meetings
    - Any named insured, rated driver between ages 16-21, and resident relative ages 16-21 eligible to be delegates
  - Allowing Board to combine small Local Mutuals to preserve voting rights
  - Board acts as arbitrator for any dispute about entitlement of Policyholder vote or results of Policyholder vote
  - Allowing for Alternate Delegates
- ❖ **County Mutual Chairperson rather than County Delegates:** County Mutual Chairperson appoint Delegates from County when Local Mutuals fail to do so to better reflect current practices of AFRMIC
  - No separate position of County Delegate
  - County Mutual Chairpersons do not vote at Convention
  - County Mutual Chairpersons presumed to be Local Union President unless otherwise selected by Policyholders in County
  - County Mutual Chairpersons must be Policyholder
- ❖ **Clarifying certain governing functions of the Board of Directors and Officers:** to aid in efficient and balanced governance, as well as provide clarity and accountability on key governance tasks

- Clarifying general powers of Board
  - Removal of Directors with cause only upon 7/9 vote of Directors
    - Policyholders can override by majority vote at Policyholder Annual/Special Meeting
  - Board elects its Chairperson from Directors
  - Board creates, dissolves, modifies, and appoints members to its committees
  - Board acts as arbitrator of residency disputes for Director candidates
  - Providing for resignation of Directors/Officers
  - Expanding circumstances qualifying as vacancy
    - Adding death, permanent and total disability, and military deployment specifically
  - Allowing telecommunication attendance in Board meetings
  - Board sets terms of employment, if any, for Officers
  - Appointment and removal of most Officers (President/CEO, Treasurer, Secretary) requires 2/3 vote of Directors
  - CEO no longer has tie-breaking voting power
    - Resolutions not passed by majority of Board fail
  - CEO responsible for supervising, directing, and controlling business affairs, subject to control of Board
    - CEO keeps Board informed/freely consults
  - Removing VP
  - Clarifying CFO and Treasurer are different positions
  - Board may designate minute-keeper in Secretary's absence
  - Secretary affixes seal only as authorized by Board
- ❖ **Giving additional team-building authority to Officers:** Subject to Board approval, CEO can appoint certain Officers (CFO, COO, and Assistant Officers) giving flexibility to create his or her own team
- ❖ **Strengthening conflict of interest provisions:** to provide greater independence in Officers and Directors

- Independent District Director cannot be affiliated with or accept compensation from an independent insurance agency, and criteria must be met for five prior years
- Not eligible to serve as Officer if conflicting interest in similar organization or insurance agency
- No one person can have more than one Officer position or an Officer and Director position
- ❖ **Expanding or clarifying notice and filing deadlines:** to aid in transparency and stability for those wanting to participate
  - Notice of Policyholder Annual Meeting to be published 30 days further in advance
  - Candidate filing period for Director position always October 15-25 (starting and ending on business days)

Consistent with the foregoing changes to AFRMIC corporate governance documents, the Oklahoma State Union of the Farmers Educational and Co-operative Union of America, Inc. (“State Union”), approved certain consistency changes with the State Union Bylaws. Nevertheless, because of key differences in governance and structure between AFRMIC and the State Union, intentional differences will still exist between the two corporate governance documents. The following summarizes the major substantive changes to the State Union Bylaws:

- ❖ **Clarifying voting authority of Vice-President and Secretary in Board of Directors meetings consistent with intent of Bylaws:** to reduce potential ambiguity on voting rights of Officers
- ❖ **Consistency Changes to Membership Voting Procedures:** to better reflect current practices of the State Union, protect Membership voting rights, as well as create consistency with AFRMIC corporate governance documents
  - No separate position of County Delegate
    - County President still appoints Delegates Local Union fails to elect
  - Removing Officers and Directors as automatic Delegates
  - Specifying plurality vote when not clear

- ❖ **Clarifying certain governing functions of the Board of Directors and Officers:** to aid in efficient and balanced governance, provide clarity and accountability on key governance tasks, and create consistency with AFRMIC corporate governance documents where appropriate
  - Board/Voting Officers can remove elected directors with cause by 8/11 vote
  - Board/Voting Officers tasked with creating/maintaining conflict of interest policy
  - Providing for resignation of Directors/Officers
  - Expanding circumstances qualifying as vacancy
    - Adding death, permanent and total disability, and military deployment specifically
  - Allowing telecommunication attendance in Board meetings
  - Board/Voting Officers create, dissolve, modify committee and appoint Chairperson of Committee
  - Adding specific duties for Officers
  - Board/Voting Officers can remove elected Officers with cause by 8/11 vote and remove appointed Officer by majority vote
    - Adding same Membership override as with Directors for elected Officers
  - AFRMIC President/CEO no longer automatic National Convention Delegate
- ❖ **Giving additional team-building authority to President:** Subject to Board approval, President can appoint Assistant Officers, giving flexibility to create his or her own team
- ❖ **Strengthening dual position provisions:** No one person can have more than one Officer position or an Officer and Director position to provide greater independence in Officers and Directors
- ❖ **Expanding or clarifying notice and filing deadlines:** consistent with AFRMIC corporate governance documents

This summary is intended to efficiently educate Policyholders and Membership and is not intended as a comprehensive detailing of proposed revisions, nor a substitute for individual review of the proposed changes. Additional materials, including the full proposed corporate governance documents, are available under Member Services at [www.iafr.com](http://www.iafr.com) and at [www.afrcoop.org](http://www.afrcoop.org).