

FIFTH AMENDED
ARIZONA COUNTIES INSURANCE POOL
INTERGOVERNMENTAL AGREEMENT

1. **Parties.** The Parties to this Agreement are the Arizona Counties Insurance Pool (“ACIP”), and the County Members (“Member” and/or “Members”), which are signatories hereto. The Parties enter into this Intergovernmental Agreement (“Agreement”) to provide to the Members insurance and insurance services relating to their exposures for property, fidelity, employment, employer’s liability, workers’ compensation, liability losses, and other losses as may be permitted by law, pursuant to A.R.S. §§ 11-952 and 11-952.01 under the name Arizona Counties Insurance Pool.

2. **Recitals.** This Agreement is based upon certain understandings and in furtherance of certain purposes, as follows:
 - 2.1 Arizona Revised Statutes § 11-952 provides that two or more counties by direct contract or agreement may contract for services or jointly exercise any powers common to the contracting parties and may enter into agreements with one another for joint or cooperative action.

 - 2.2 Arizona Revised Statutes § 11-952.01(A) permits two or more counties to enter into contracts or agreements for the joint purchasing of insurance, including reinsurance, or to pool retention of their exposures for property, fidelity and liability losses and to provide for the payment of such property loss, fidelity loss or claim of liability made against any Member, including any elected or appointed official, officer or employee covered by ACIP, on a cooperative or contract basis with one another.

 - 2.3 Arizona Revised Statutes § 11-952.01 (B) permits two or more counties to establish a workers’ compensation pool to provide for the payment of workers’ compensation claims pursuant to title 23, chapter 6 on a contract basis with one another.

 - 2.4 The Board of Supervisors of each Member has determined that it is in the Member’s best interest and in the public interest that this Agreement be executed and that each Member shall participate in ACIP as set forth in this Agreement.

 - 2.5 The Board of Supervisors of each Member has determined that it should join together with the other Members for the purposes of:
 - a. Providing coverages for:
 1. property damage,
 2. automobile liability,
 3. workers’ compensation and employer’s liability,
 4. general liability, including employment practices liability, public officials’ liability, and law enforcement liability, and
 5. automobile physical damage,

and at the option of the ACIP Board other coverages as may be permitted by law;

- b. developing effective risk management programs to reduce the amount and frequency of their losses;
- ~~c.~~ pooling their self-insured losses;
- ~~d.~~ jointly purchasing excess insurance or reinsurance;
- e. adopting Memorandums of Coverage;
- f. providing claims services and claims administration;
- g. providing or purchasing such administrative services as the Board of Trustees of ACIP ("ACIP Board"), as defined in the ACIP By-Laws, determines is necessary for the appropriate administration of ACIP; and
- h. purchasing or providing other insurance or risk management services.

3. **Term of Agreement.** This Agreement originally became effective on July 1, 2012, upon the approval of all Members as provided in paragraph 22 and continued in force and effect through June 30, 2024. Effective July 1, 2024, this Agreement is hereby amended to extend its term for an additional ten-year period, unless it is terminated earlier in accordance with the terms and provisions of this Agreement. This Agreement may be renewed for additional ten-year terms by agreement of 75% of the Members prior to the expiration of this term or any renewal term of this Agreement.

4. **Modification of Agreement.** This Agreement may be modified and/or amended by the Members. An addendum shall be effective when approved by agreement of 75% of the Members. An addendum may include an agreement by the Members to add a new Member or to permit a new or existing Member to participate in ACIP on terms and conditions different than those set forth in this Agreement.

5. **Coverages.** Coverages shall be as follows:

- 5.1 The specific exposures covered by ACIP, the procedure for making claims against ACIP, the persons or entities to be indemnified by ACIP, the limitations and exclusions on coverage, and various other matters necessary or appropriate to the functioning of ACIP are more particularly described in the one or more Memorandums of Coverage and the ACIP Bylaws which have been or shall be adopted by the ACIP Board. The terms of the Memorandums of Coverage may be amended by a majority vote of the ACIP Board from time to time; provided that all Members shall be given at least thirty (30) days prior written notice thereof; and provided further that the form of the Memorandums of Coverage shall be similarly amended at the same time for all Members. The participation of a Member in any Memorandums of Coverage may be under different terms from other Members, as determined by the Member and the ACIP Board, and as defined by a separate agreement.

- 5.2 ACIP shall process, defend and pay all claims against the Members which are included under the scope of the Memorandums of Coverage and as otherwise determined by ACIP. The Members shall cooperate fully in supplying any information needed or helpful in settlement or defense of such claims. A list of current claims of each Member together with the status (pending) or disposition of each claim, shall be provided periodically to each Member. Each Member shall be notified as required by section 17 prior to settlement or payment of claim.
 - 5.3 ACIP shall develop and implement programs for risk management and loss control and make them available to the Members. The Members may act cooperatively to share information and to implement programs developed by an individual Member.
 - 5.4 A Member is not relieved of its liability for claims against the Member incurred during the Member's participation in this Agreement, except through the payment of losses by ACIP or by the Member.
6. **Participation.** Based on such understandings and in furtherance of such purposes, the Members agree to establish and participate in ACIP under the following terms and conditions:
 - 6.1 Participation in this Agreement may not be terminated by any Member during the initial thirty-six months after their initial entry date except that coverage may be suspended or terminated as provided herein for nonpayment of premiums or other violations by a Member under the terms of this Agreement.
 - 6.2 Participation in this Agreement may be terminated by any of the Members, at any time after the initial thirty-six months from initial entry, effective as of the last day of ACIP's fiscal year, by written notice of termination given at least one year prior to the last day of ACIP's fiscal year.
 - 6.3 Participation in this Agreement may be terminated as to any Member by two-thirds vote of the ACIP Board.
7. **Termination of ACIP.** ACIP shall be terminated upon the first of any of the following events to occur:
 - 7.1 When all but one Member in ACIP have ceased to participate;
 - 7.2 At such time as the ACIP Board shall determine that the number of participating Members and/or the size of ACIP is too small to adequately indemnify against the exposures specified in the Memorandums of Coverage, by a two-thirds affirmative vote of the ACIP Board.

Any termination pursuant to 7.2 above shall not be effective until the ACIP Board shall have given each participating Member at least six months written notice of such termination. Upon termination of ACIP, adequate provisions shall be made for all pending and anticipated claims against the Members based on a sound actuarial study and as otherwise required pursuant to the provisions of A.R.S. § 11-952.01.
8. **ACIP Funding.** ACIP shall be funded as follows:

- 8.1 **Deposit of Contribution.** At such dates as may be determined by the ACIP Board, the anticipated liabilities and expenses of ACIP for the fiscal year or portion thereof shall be calculated based on use of services, loss history, and other underwriting criteria as approved by the ACIP Board. Such liabilities and expenses shall include expected losses to be covered by the Memorandums of Coverage, the cost of excess insurance and reinsurance, the costs of claims services, the cost of other administrative services, and other costs deemed appropriate by the ACIP Board. Such liabilities and expenses shall be allocated among ACIP's participating Members based on the pro rata exposure of each Member and as otherwise determined by the ACIP Board based on each Member's utilization of resources. Each Member agrees to furnish all information requested by the ACIP as necessary to determine the relative exposure of the Members. Each Member shall pay its deposit premium for the whole year to ACIP in cash within thirty days of such notification, or by such later date as shall be specified in the notice.
- 8.2 **Assessment.** If ACIP becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, each Member shall be assessed by the ACIP Board for an additional contribution. In such a case the ACIP Board shall determine the cause of the insolvency, which may be an overrun in expected costs in one or more risk retention pools, or an overrun in administrative costs. The ACIP Board shall assess contributions in a manner that reflects each Member's participation in the cause or causes of the insolvency, up to the limit specified in A.R.S. § 11-952.01(O). For example, if the insolvency is caused by overruns in a particular risk retention pool, then only those Members participating in that risk retention pool shall be subject to assessment. Each such assessment, and the manner of calculating the same, shall be given to each Member in writing, and the Member shall thereafter have sixty days in which to pay such assessment. Each Member shall remain liable for such assessments, regardless of the Member's withdrawal from participation or the termination of this Agreement for liabilities of ACIP incurred during the Member's period of membership.
- 8.3 **Claims Reserves.** ACIP shall maintain funds adequate to pay incurred claims which shall include known incurred losses and an estimate of incurred but not reported claims as may be appropriate for pooling participation. ACIP shall also maintain contingency margins deemed appropriate by the ACIP Board.
- 8.4 **Banking Relationships.** ACIP may enter into financial services agreements with banks and other financial institutions and may issue checks in its own name to carry out the terms of this Agreement. ACIP may invest its monies in equity securities, mutual funds and investment funds registered with the United States Securities and Exchange Commission, debt obligations and any eligible investment permitted by A.R.S. § 35-323.
- 8.5 **Distribution of Surplus.** At the termination of ACIP's existence, any surplus funds in ACIP over and above those necessary to pay or reserve against the expenses and liabilities of ACIP shall be distributed among the then existing Members that are participants in ACIP. Such distribution shall be allocated among such participants as required by law and as may be determined by the ACIP Board.

9. **Workers' Compensation Provisions.** The following shall apply to the provision of workers' compensation insurance only:
- 9.1 ACIP shall provide such coverages to the employees of the Members to meet the requirements for a self-insured employer under A.R.S. § 23-961.
 - 9.2 The ACIP Board from time to time may, at its discretion, distribute surplus funds, or apply surplus funds to a Member's balance in other risk retention pools, based upon an experience formula as may be approved by the ACIP Board. Any experience formula shall be approved by a two-thirds vote of the ACIP Board.
 - 9.3 **Suspension.** In the event any Member shall fail to make its contribution as specified herein, or shall fail to comply with any of the other terms of this Agreement, or the membership conditions as set forth in the ACIP Bylaws, the ACIP Board may, if such default is not cured within ten days' written notice to the Member, suspend the Member's coverage under this Agreement for a period of up to eighty days without further notice or action. The notice of default shall advise the Member that if the default is not cured within the ten-day period, termination of the Agreement may occur ninety days after the notice of default. During such eighty-day suspension period, the ACIP Board shall determine if suspension shall be made permanent, in which case the Agreement shall be deemed terminated effective as of the ninety days following from the written notice of default, or the circumstances, if any, under which the Member's participation in ACIP and the effectiveness of this Agreement may be restored. Should the Member be permanently suspended and this Agreement terminated, the Member shall forfeit all rights to any distribution of ACIP surpluses or property upon the termination of ACIP. Regardless of such termination, however, the Member's liability for assessments under Section 8 above shall be unaffected.
10. **Loss Control.** ACIP may, with the approval of the ACIP Board, establish Loss Control Programs to be adopted and implemented by the Members. The Executive Director may issue periodic loss-control recommendations to assist in control of identified risks. ACIP may, in its discretion, make services available to the Members to assist in the implementation of a Loss Control Program or loss-control recommendations. The Parties agree that they will cooperate in the implementation of any and all loss-control recommendations and Loss Control Programs. Should any Member disagree with a loss-control recommendation issued by the Executive Director, that Member may request that the ACIP Board review the recommendation at its next scheduled meeting. A decision by the ACIP Board shall be final and binding on all Members. Failure by a Member to comply with a directive by the ACIP Board may be subject to expulsion pursuant to Section 11 of this Agreement.
11. **Effect of Withdrawal or Expulsion.** The withdrawal or expulsion of any Member after its inception in ACIP will not terminate its responsibility:
- 11.1 to cooperate fully with ACIP in determining the cause of losses and the settlement of claims as described in the Memorandum of Coverage;
 - 11.2 to pay any premium assessments determined by the ACIP Board to be due and payable for each year of participation;

- 11.3 to provide the Executive Director with such statistical and loss experience data as may be necessary for the Executive Director to carry out this Agreement; and to cooperate with the ACIP Board and assist the Executive Director and any insurer, common claims adjuster or legal counsel retained by ACIP, in all matters relating to this Agreement.
 - 11.4 to pay all expenses of claims administration, administrative expense and other costs incurred in administering claims run off or the purchase of tail coverage; and
 - 11.5 to pay any other expenses incurred by ACIP due to reductions in force or other employee or contract expenses incurred by the departure of the particular Member and particular to that Member.
12. **Board of Trustees.** ACIP shall be administered by a Board of Trustees consisting of at least five persons who are either the County Manager or the County Administrator of a Member. Each Member's Board of Supervisors shall appoint a Trustee if there are at least five Members signatory hereto. If there are less than five Members signatory hereto, each Member shall appoint two ACIP Board Trustees. Each Member's Board of Supervisors must designate its ACIP Board Trustee(s) in writing. Each Member may have an Alternate Trustee to serve in the absence of the Trustee. The Alternate Trustee of each Member is to be appointed by the County Manager or County Administrator and must be someone who is in the reporting chain of command of the County Manager or County Administrator. The Trustee(s) of each Member shall be entitled to one vote in all matters that come before the ACIP Board. If the Trustee is absent then the Alternate Trustee shall be entitled to vote in the Trustee's place. In the event that a Trustee of the ACIP Board is removed, resigns or ceases to be an employee of the designating Member, each Member's Board of Supervisors will appoint a new Trustee and/or Alternate Trustee as outlined above.
13. **Duties of the Board of Trustees.** The ACIP Board shall:
- a. Establish the terms and conditions of coverage within ACIP, including exclusions of coverage;
 - b. Ensure that all claims covered by the Memorandums of Coverage for which each member incurs liability during the Member's period of membership are paid promptly;
 - c. Take all necessary precautions to safeguard the assets of ACIP;
 - d. Maintain minutes of its meetings;
 - e. Designate an Executive Director to carry out the policies established by the ACIP Board and this Agreement and provide day- to-day management of ACIP and delineate in the written minutes of its meetings the areas of authority delegated to the Executive Director; and
 - f. Notify the Director of the of Department of Insurance and Financial Affairs and the Director of the Industrial Commission of the existence of the Pool and file with both a copy of this Agreement.
 - g. In accordance with A.R.S. § 11-952.01(J), the ACIP Board shall not:
 - i. Extend credit to a Member for payment of a premium, except pursuant to

payment plans established by the ACIP Board; and

- ii. Borrow any monies from ACIP or in the name of ACIP except in the ordinary course of business.

14. **Powers of the Board of Trustees**. The ACIP Board may:

- a. Establish offices where necessary in the State of Arizona and employ necessary staff to carry out the purposes of ACIP;
- b. Retain legal counsel, actuaries, auditors, engineers, private consultants, claims adjustors and advisors;
- c. Make and alter Bylaws and rules pertaining to the exercise of its purpose and powers;
- d. Purchase, lease or rent real or personal property as the Board deems necessary;
- e. Enter into financial services agreements with banks and issue checks in its own name as provided in paragraph 8.4 above; and
- f. Perform claims administration services and defend and settle claims; and
- g. Perform such other matters and enter into other contracts as may be necessary to carry out this Agreement.

15. **Inspection and Audit**. ACIP and its representatives shall be permitted, but shall not be obligated, to inspect each Member's properties and operations at any time. Neither ACIP's right to make inspections nor the making thereof shall constitute an undertaking, on behalf of or for the benefit of the Member or others to determine or warrant that such property or operations are safe and are comply with any applicable law, rule, or regulation.

- a. ACIP may examine and audit a Member's books and records at any time during the period the Agreement is in effect, and during any extensions hereof, and within three years after the final termination of this Agreement, insofar as said books-and records may relate to the subject matter of this Agreement.
- b. ACIP shall be audited annually at the expense of ACIP by a certificated public accountant, and a copy of the report shall be submitted to the governing boards of the Members and to the Director of the Department of Insurance and Financial Affairs and/or the Industrial Commission when required. The ACIP Board shall obtain an appropriate actuarial evaluation of the claim reserves of ACIP including an estimate of the incurred but not reported claims. ACIP shall also pay the cost of any examination of ACIP and its reserves by the Director of Insurance as permitted by A.R.S. § 11-952.01(F).

16. **Bylaws and Rules of Operation**. The ACIP Board may make bylaws and rules pertaining to the exercise of its purpose and powers. The current ACIP Bylaws shall continue in full force and effect under this Agreement provided that the ACIP Board may, from time to time, propose revisions to said Bylaws, which shall become effective only upon approval by a two-thirds majority of all members of the ACIP Board. The ACIP Board may also from time to time adopt, by majority vote, policies, rules, and procedures for the administration and operation of ACIP so long as such policies, rules, and

procedures are not inconsistent with this Agreement or the Bylaws. No provision of the Bylaws, policies, rules or procedures shall be inconsistent with the terms of this Agreement.

17. **Authority to Pay Claims and Notice and Objection Procedures**

- a. ACIP, upon approval of its Executive Director, or the ACIP Board shall have the right to pay any claim which does not exceed Fifty Thousand Dollars (\$50,000.00) without providing notice of intent to pay the claim, unless the affected Member has filed a written request for notice of intent to pay the claim prior to payment. The authority of ACIP, the ACIP Board, or the ACIP Executive Director to settle and pay claims may be defined to a greater extent in the Bylaws. Members to this Agreement thereby appoint the Executive Director of ACIP as its attorney in fact with full authority to settle claims within the authority provided by this Agreement, by the Bylaws, by the Memorandums of Coverage, or by the ACIP Board.
- b. Any Member may object to a decision by ACIP or the ACIP Board to resolve a claim on behalf of that Member which exceeds \$50,000. An objection must be filed within ten days after notice to the Member of ACIP's or the ACIP Board's intention to pay a claim, and must be authorized by the Objecting Member's Risk Manager or County Manager. The objection shall state specific reasons why the Objecting Member contends that the claim should not be resolved in the manner proposed by ACIP or the ACIP Board. The ACIP Board will schedule a meeting during which formal action, requiring a majority vote of the ACIP Board, will be taken upon the objection and shall provide written notice to the Objecting Member including the date, time and location of the meeting. Upon conclusion of the meeting, the ACIP Board shall provide notice of its decision to the Objecting Member.
- c. Should the ACIP Board's decision be adverse to the result sought by the Objecting Member, the Objecting Member shall provide written notice to the ACIP Board stating whether or not the Objecting Member intends to assume control of the litigation. If the Objecting Member assumes control of the litigation, ACIP shall reimburse the Objecting Member for all costs of defense, settlement, or judgment actually incurred by the Objecting Member, up to the amount which ACIP initially determined was necessary to resolve the claim, reduced by expenses incurred by ACIP. The Objecting Member shall be responsible for all other costs and expenses associated with the defense and satisfaction of the claim. If upon notice of the ACIP Board's decision, the Objecting Member elects not to assume the control of the litigation, ACIP will retain all control and responsibility for the defense of the claim and liability for the litigation including, but not limited to, final resolution of the claim.
- d. All Members to this Agreement are entitled to any and all information concerning claims made against them. Claims information shall be treated as confidential to the greatest extent which the law will allow.
- e. At all times, the ACIP Board of Trustees retains the right to settle any case, within or outside the range of delegated authority, even over the objection of the ACIP Executive Director and/or the affected Member County.

18. **Prosecution and Defense of Lawsuits.** In the event any claim, suit, action or legal or administrative proceeding is brought against ACIP, the ACIP Board, one or more Trustees of the ACIP Board, in

connection with any matter arising out of the administration of ACIP or in connection with this Agreement or in connection with any act or omission of the ACIP Board or one or more of the Trustees of the ACIP Board, or in the event of any suit, action or proceeding commenced by the Trustee(s), including, but not limited to, a request for a judicial settlement of accounts, a suit for construction, a bill of interpleader, or any other matter relating to ACIP, the Trustees shall have the power and authority to employ counsel to represent them in any such suit, action or proceeding. Expenses, including counsel fees and other costs shall be paid by ACIP as long as the Trustee(s) have acted in good faith and not with gross negligence, bad faith or willful misconduct, it being the intent to indemnify the Trustee(s) against all honest mistakes in judgment and all acts or omissions that are not grossly negligent, deliberate or willful violations of the duties of the Trustee(s). In addition, the ACIP Board shall have the right to commence and prosecute such suits, actions or proceedings as they may determine are necessary and proper in order to protect the interests of ACIP, and, in this connection, the Trustee(s) shall have the same rights and entitlement to reimbursement for costs and expenses as heretofore described for the defense of lawsuits.

19. **Place of Business.** ACIP shall establish a principal place of business within Arizona and shall notify all Members of such location. Currently, the Principal Place of Business of ACIP is 1905 W. Washington St., Suite 200, Phoenix, AZ, 85009.
20. **Conformity with Law.** In the event any term or provision of this Agreement shall be in conflict with the laws and statutes of the State of Arizona as they now exist or are hereafter amended, this Agreement shall be automatically deemed amended to conform to such laws and statutes.
21. **Fiscal Year.** The fiscal year shall begin on July 1 of each year and end of June 30 of each year.
22. **Authorizing Action.** This Agreement shall become effective upon its effective date as set forth in paragraph 3 of this Agreement and only upon the execution and delivery of this Agreement by an authorized representative of each Member on behalf of the Member and approved by the Member's County Attorney as to form.
23. **Liability.**
 - a. **Members.** No Member shall, by reason of this Agreement, have any liability for claims brought by third Parties against any other Member other than the obligation to contribute certain funds to ACIP as expressly provided herein. The liability for any claim against a Member shall remain the sole and exclusive liability of the Member; the obligation of ACIP is to indemnify that Member against such loss as provided in the Memorandums of Coverage to the extent and under the conditions contained therein.
 - b. **Responsibilities and Liabilities of the Trustees of the ACIP Board.** The ACIP Board shall only be responsible for monies when and if said monies are received in accordance with the provisions of this Agreement. Should the ACIP Board select or provide for any policy or program of self-funding, no claims for benefits or claims for liabilities shall be brought against the ACIP Board or a Trustee of the ACIP Board. The sole and exclusive liability of said Trustee of the ACIP Board, in the management and operation of any program of self-funding shall be limited to due care in the selection of administrators, claims representatives, actuaries or other officials charged with the administration of such a program of self-funding. The Trustee of the ACIP Board shall only be responsible for any liability arising from their respective gross negligence, bad faith or willful misconduct in handling of the monies received in hand by them for execution and administration of the terms of this Agreement

and ACIP. The Trustee of the ACIP Board, as Trustee, shall not be responsible for the actions or omissions of their Co-Trustee or successors, nor for the acts or omissions of other agents, or for any of the acts or omissions of any insurance company or its agents, servants or representatives, including but not limited to non-payment of claims by an insurance company or companies for any reason. No Trustee of the ACIP Board or successor Trustee of the ACIP Board shall be entitled to any indemnifications of court costs or attorneys' fees from any liability arising from his/her own willful misconduct, bad faith or gross negligence. To the extent that their actions do not constitute willful misconduct, bad faith or gross negligence, ACIP Board of Trustee shall not be liable for actions taken on advice of counsel for ACIP.

c. Successors' Liability. No successor Trustees of the ACIP Board shall be liable or responsible for any acts or defaults of his/her predecessor, or for any losses or expenses resulting from or occasioned by acts or omissions prior to his/her appointment as a Trustee, nor shall he/she be required to inquire into or take any notice of the prior administration of ACIP. A successor Trustee is responsible solely for his/her actions.

24. **Recording.** This Agreement shall be recorded with the County Recorder's Office for any county in which a Member Entity operates.

25. **Replaced and Superseded Agreements.** This Fifth Amended Intergovernmental Agreement replaces and supersedes the Original Intergovernmental Agreement between the Members and all previous amendments and the Members Intergovernmental Agreement for a Workers' Compensation Pool filed with the Secretary of State on July 13, 1994 and renewed on June 30, 2004.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates set forth below.

COUNTY OF _____

COUNTY OF _____

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

APPROVAL: This agreement is in proper Form and it is within the power and authority granted under the laws of the State of Arizona to the Board of Supervisors of _____ County.

Date: _____

Witness: _____

Deputy County Attorney