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BYLAWS OF THE ARMED FORCES INSURANCE EXCHANGE

(An Inter-Insurance Exchange)

Revised 28 February 2024

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ARTICLE I

SECTION 1. (Definitions)

- A. “Attorney-in-Fact” means a person designated and appointed by subscribers to Armed Forces Insurance Exchange - a reciprocal insurer to act for and bind the subscribers in all transactions relating to or arising out of the operations of Armed Forces Insurance Exchange, subject to limitations as may be lawfully provided.
- B. “Person” means an individual, partnership, firm, association, corporation, joint-stock company, trust, any similar entity, or any combination of the foregoing acting in concert.
- C. “Reciprocal” or “inter-insurance exchange” means any aggregation of persons, known as subscribers, who, under the common name of Armed Forces Insurance Exchange, engage in the business of inter-insurance or exchanging contracts of insurance on the reciprocal plan through an Attorney-in-Fact having authority to obligate the subscribers severally, within such limits as may lawfully be specified in the Subscriber’s Agreement and Power of Attorney of Armed Forces Insurance Exchange, on contracts of insurance made with other subscribers.
- D. “Subscriber” means a person who has executed a Subscriber’s Agreement and Power of Attorney with Armed Forces Insurance Exchange.
- E. “Subscriber’s Agreement and Power of Attorney” means a document executed by the subscriber which:
 - I. designates and appoints, through a power of attorney, the Attorney-in-Fact and, either within the agreement or via the Armed Forces Insurance Exchange appended set of bylaws, spells out the duties of the Attorney-in-Fact; and
 - II. confirms agreement with reciprocal inter-insurance exchange subscriber obligations and requirements of Armed Forces Insurance Exchange.
- F. “Subscribers’ Advisory Committee” (hereinafter referred to as SAC) means a board, committee, council or any equivalent body made up of Armed Forces Insurance Exchange subscribers which oversees the operations of the Attorney-in-Fact to such extent as may be necessary to assure conformity with the Subscriber’s Agreement and Power of Attorney for the benefit of all Armed Forces Insurance Exchange subscribers.

SECTION 2. (Name)

The organization is a reciprocal inter-insurance exchange and shall be known as the Armed Forces Insurance Exchange (hereinafter referred to as AFIE). Armed Forces Insurance Corporation (hereinafter referred to as AFIC) is the Attorney-in-Fact for AFIE.

SECTION 3. (Purpose)

The purpose of AFIE is to exchange insurance contracts for the benefit of its subscribers as permitted by Chapter 40, Article 16, Kansas Insurance Code. Contracts of insurance so exchanged shall be nonassessable.

ARTICLE II

SECTION 1. (Subscriber Eligibility)

The following are eligible to be subscribers of AFIE and thereby entitled to its benefits:

- A. active, retired, or honorably discharged former commissioned, warrant, or noncommissioned officers of the regular service, the reserve components, the retired reserve list, or the retired reserve components of the U.S. Army, Air Force, Navy, Marine Corps, Coast Guard, or Space Force;
- B. active, retired, or former commissioned officers of the Public Health Service;
- C. active, retired, or former commissioned officers of the National Oceanic and Atmospheric Administration;
- D. cadets or midshipmen of the Service Academies and any midshipmen of the U.S. Merchant Marine Academy;
- E. ROTC cadets or midshipmen enrolled in an advanced ROTC program who have accepted a contractual service obligation;
- F. active or retired persons in those enlisted grades of the regular service, the reserve components, the retired reserve list or the retired reserve components, as authorized by the Attorney-in-Fact;
- G. honorably discharged veterans of the active and reserve components as authorized by the SAC;
- H. members of the Civil Air Patrol, Coast Guard Auxiliary, Merchant Marine, Military Auxiliary Radio System, or Marine Corps Auxiliary;
- I. all active or retired civilian employees of the U.S. Department of Defense or U.S. Department of Veteran Affairs;
- J. surviving spouses of any of the above;
- K. former spouses, parents, and children of current or former subscribers or of an eligible individual who has or had a policy with Armed Forces Insurance Agency (AFIA);
- L. employees of AFIE, AFIC, or any other affiliate of the aforementioned organizations and any person who has retired directly from the employment of any of these organizations or affiliations;
- M. any person who was previously a subscriber based on criteria described in Paragraphs A. through L. above.

SECTION 2. (Duration)

Subscribership shall begin with the acceptance of an application for insurance by AFIE and will continue as long as the individual retains eligibility and maintains an AFIE insurance contract, subject to application disapproval or termination of insurance as provided in Section 6 and Section 7 of this Article.

SECTION 3. (Exceptions)

When title to AFIE-insured real property is transferred to a person not eligible for subscribership, that AFIE policy may be kept in full force and effect until the normal expiration of the policy as required by regulatory authorities or under rules established by the Attorney-in-Fact.

Other persons and organizations not eligible as subscribers under Section 1 of this Article may be insured by AFIE:

- A. when required by the laws or regulations of federal, state or other governmental bodies;
- B. through participation in reinsurance policies or reinsurance pools as authorized by the Attorney-in-Fact.

SECTION 4. (Limitations on Rights Granted Under Section 3)

Persons and organizations insured under Section 3 of this Article will receive only those rights of subscribership and rates as are required by or pursuant to the laws of federal, state, or other governmental bodies, or as are determined by the Attorney-in-Fact.

SECTION 5. (Subscriber's Agreement and Power of Attorney)

Each applicant shall execute a Subscriber's Agreement and Power of Attorney.

Failure to return a signed Subscriber's Agreement and Power of Attorney within 30 days after policy issue shall be deemed acceptance of the Subscriber's Agreement and Power of Attorney.

SECTION 6. (Disapproval of Applications)

AFIE may reject any application for insurance or reinstatement of insurance. Insurance rates and conditions for the acceptance or rejection of risk shall be set forth by the Attorney-in-Fact in rate and rule manuals and underwriting guidelines.

SECTION 7. (Termination of Insurance)

AFIE may terminate a subscriber's insurance in accordance with policy terms and applicable regulatory requirements. Proper notice of cancellation or nonrenewal constitutes termination of insurance.

A subscriber may terminate AFIE contracts of insurance at any time, either by cancellation or nonrenewal.

ARTICLE III

SECTION 1. (Annual Meeting)

An annual meeting of subscribers shall be held not later than 30 June of each year at a place determined by the Attorney-in-Fact for the purpose of electing SAC members and transacting such other business as may properly be brought before the meeting.

SECTION 2. (Special Meetings)

Special meetings of subscribers may be called by a written request signed by at least one percent (1%) of the total subscribership on a date and place fixed by the Attorney-in-Fact.

SECTION 3. (Notice of Meetings)

Notice of all meetings of the general subscribership shall be mailed at least thirty days in advance to each subscriber at the last address shown in the AFIE records.

SECTION 4. (Quorum)

Provided proper notice has been given to subscribers, those subscribers in attendance at an annual or special meeting, either in person or by proxy, shall constitute a quorum to conduct business, except as otherwise provided in Section 2 of Article IX.

SECTION 5. (Voting)

At all subscribers' meetings, only those subscribers whose eligibility is established in accordance with Section 1 of Article II shall be entitled to vote on any matter presented for a vote.

SECTION 6. (Proxies)

At all meetings, absent subscribers may be represented by proxy in writing. A majority vote of those subscribers present in person and by proxy shall govern in all matters properly brought before the meeting, except as otherwise provided in Section 2 of Article IX.

ARTICLE IV

SECTION 1. (Rights of Subscribers)

Acting as a group, subscribers have a right to modify or withdraw any delegated powers. However, all actions taken pursuant to powers properly conferred shall be binding upon AFIE.

ARTICLE V

SECTION 1. (Management)

The affairs of AFIE shall be under the Attorney-in-Fact's direction as authorized by the Subscriber's Agreement and Power of Attorney. The Attorney-in-Fact shall conduct the affairs of AFIE in accordance with these Bylaws and all applicable laws, rules, and regulations of the jurisdictions wherein AFIE is admitted and authorized to transact the business of insurance.

The Attorney-in-Fact may not assign its responsibilities without the prior approval of the SAC and the Kansas Commissioner of Insurance.

ARTICLE VI

SECTION 1. (Subscriber's Capital Account)

- A. For each subscriber, a non-interest and non-dividend bearing Subscriber's Capital Account shall be established.
- B. Subscriber capital obligations and the functions of the Subscriber's Capital Account are outlined in and governed by Sections 4, 5, and 6 of the Subscriber's Agreement and Power of Attorney.

ARTICLE VII

SECTION 1. (Subscribers' Advisory Committee [SAC])

The SAC, augmented by elected independent directors shall comprise the Board of Directors (hereinafter referred to as BOD) of the Attorney-in-Fact. The SAC shall be composed of not less than seven nor more than eight individuals, all of whom must be subscribers elected by subscribers of AFIE, plus ex officio, the President of the Attorney-in-Fact. The elected term of office on the SAC is three years. SAC members are limited to two successive terms. Upon the death, impairment, or resignation of a SAC member, the remaining SAC members shall select a replacement to serve until the next annual meeting of subscribers. The SAC members shall select a Chair and Vice Chair from the SAC's elected members by majority vote.

SECTION 2. (Duties and Responsibilities of SAC)

The SAC shall have oversight responsibility to:

- A. Supervise the Attorney-in-Fact's operations to such extent as necessary to assure conformity with these Bylaws and the Subscriber's Agreement and Power of Attorney;
- B. Hold the stock of AFIC, Attorney-in-Fact for AFIE, as trustee for subscribers with authority to vote, sell or purchase additional shares of said stock. As trustees of the stock, the SAC shall elect the independent/external directors of the Attorney-in-Fact.
- C. Supervise the finances of AFIE:
 - I. All assets of AFIE and its subscribers shall be invested in accordance with investment guidelines approved by the AFIC BOD and shall be accounted for on the financial records of AFIE as being held for subscribers. All cash assets of AFIE and its subscribers, not otherwise invested in short-term securities, covering policy obligations shall be held in appropriately identified accounts in banks that are members of the Federal Reserve System. These accounts shall be drawn on by the Attorney-in-Fact, or by employees or representatives of AFIE authorized by the Attorney-in-Fact for all payments on behalf of AFIE. The books, accounts, and records of AFIE shall be the sole property of AFIE.
 - II. The Attorney-in-Fact shall make a report to the AFIC BOD at its regular meeting on the financial condition of AFIE and all material transactions entered into during the period since the last meeting.
 - III. The Attorney-in-Fact shall annually provide each member of the SAC and the independent/external directors on or before 1 June:
 - a. A copy of AFIE's annual statement and the statement of actuarial opinion;
 - b. A statement prepared by an independent certified public accountant addressing the financial condition and solvency of the Attorney-in-Fact. Such statement shall confirm that the Attorney-in-Fact is an ongoing concern and is financially solvent; and
 - c. The certified annual statement of AFIE filed with the Kansas Insurance Commissioner.
 - IV. The Attorney-in-Fact, subject to the approval of the Audit Committee of the AFIC BOD, shall select the certified public accountant who audits the annual statement.
- D. Specify all forms and amounts (or formulas to determine the amounts) of compensation the Attorney-in-Fact shall receive for services rendered.
- E. Exercise such additional powers and functions as may be conferred by the Subscriber's Agreement and Power of Attorney.

SECTION 3. (Meetings of SAC)

- A. The SAC will meet at least semi-annually at the call of the Chair of the SAC. An Annual Meeting shall be held not later than 15 June. The meeting shall be for the purpose of receiving the reports on the financial condition of AFIE and the Attorney-in-Fact; reports of all material transactions entered into during the period since the last meeting; and such other business as shall properly come before the meeting.
- B. Special meetings of the SAC may be called by the Attorney-in-Fact, the Chair of the SAC, any three members of the SAC, or by a signed petition of at least one percent (1%) of the subscribers as of the most recent annual report of AFIE.
- C. The Attorney-in-Fact shall provide a minimum of ten business days' notice to the members of the SAC of any meeting called pursuant to Paragraph A. or B. above.
- D. Five SAC members present (in-person or virtual) shall constitute a quorum.

ARTICLE VIII

SECTION 1. (Indemnification)

Agents or employees of AFIE and the Attorney-in-Fact shall be indemnified to the fullest extent now or hereafter permitted by law in connection with any actual or threatened action or proceeding arising out of their service to AFIE or another organization at AFIE's request. The provisions of this Section shall be applicable to actions or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof, and to persons who have ceased to be agents or employees and shall inure to the benefit of their heirs, executors, and administrators. AFIE and the Attorney-in-Fact may purchase and maintain indemnity insurance with respect to any obligations hereunder to the extent permitted by law.

ARTICLE IX

SECTION 1. (Removal of Attorney-in-Fact)

The SAC may recommend termination of the Attorney-in-Fact and appointment of a new Attorney-in-Fact.

SECTION 2. (Procedure)

Removal of the Attorney-in-Fact may proceed following a vote of a majority of the SAC and upon written notice to the Kansas Insurance Commissioner. A vote, in person or by proxy, of fifteen percent (15%) of all subscribers is required to constitute a quorum. Termination requires the approval of a two-thirds majority of the subscribers present in person or by proxy at a special meeting called for that purpose. In the event of such a meeting, the Attorney-in-Fact shall mail written notification to all subscribers not less than 30 days in advance of the meeting. The notification shall include the SAC recommendation of termination and replacement and other appropriate documents. A copy of all documents mailed shall be provided to all members of the AFIC BOD.

ARTICLE X

SECTION 1. (Approval of Subscriber's Agreement and Power of Attorney)

The Subscriber's Agreement and Power of Attorney, and any amendments thereto, shall be submitted for approval to the Kansas Insurance Commissioner and the Board of Directors of the Attorney-in-Fact.

ARTICLE XI

SECTION 1. (Amendment of Bylaws)

These Bylaws for the fiduciary oversight and governance of the operations of AFIE and its Attorney-in-Fact may be adopted, amended, altered, or repealed by a majority vote of the SAC at any regular or special meeting where such action has been circulated with the notice of said meeting as an approved agenda item.