

NATIONAL MODEL RAILROAD ASSOCIATION, INC.[®]

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29 July 2009

Region Presidents
NMRA

Re: NMRA Membership and Insurance

Dear Sir:

Issues regarding membership and insurance are of great concern at this time and I regularly receive questions regarding these issues. I am taking this opportunity to explain the importance of these two issues to your region and its divisions and the adverse consequences if a region or division does not adhere to the policies of the National Model Railroad Association, Inc.

In the regulations NMRA membership is defined and the rights of a member within the organization are enumerated. The membership of the NMRA overwhelmingly passed the current regulations and the intent is to encourage membership and participation by NMRA members at all levels of the organization.

Membership is the single requirement for a person to participate in region and division activities. It is somewhat perplexing when some people want to participate in NMRA activities while at the same time eschewing membership and even making derogatory comments about the NMRA. Nevertheless, membership is a prerequisite for participation in NMRA activities.

While membership is required for participation in NMRA activities, this requirement does not preclude inviting someone to participate in NMRA activities in order for the individual to understand the benefits of membership and determine whether the person wishes to join the organization. In fact, extending an invitation to someone to come to a meeting or an event is a powerful tool to use in order to grow the membership and one the NMRA strongly encourages. There is no bright line test to determine whether a person's participation is part of the process to demonstrate the benefits of membership or whether the non-member is a regular participant in NMRA activities. Rather, the question is whether reasonable

persons would believe the participation of the non-member is part of an effort to increase membership or a circumvention of the membership requirement.

The membership requirement does not prohibit a joint event with a non-NMRA entity. It is permissible and even desirable to host events with a non-NMRA entity to encourage participation in the hobby, demonstrate the hobby to the public, and to expose the NMRA to non-NMRA individuals and hopefully gain new members. The test is whether a reasonable person would conclude that the event is a truly co-hosted event of benefit to all entities. Examples of such events occur daily. Thus, an NMRA entity could co-host an event with a local special interest group such as OpSIG for an operating weekend. The NMRA could co-host a modeling exposition with the local railway prototype modelers. If the NMRA entity decided to set up an exhibit in a local mall and invited the local N scale organization to participate in the exhibit, such an event would be co-hosted. There is true cooperation between the two entities for the event. Examples of items demonstrating an event which is a truly co-hosted event are signage noting the event is sponsored by the NMRA entity and the non-NMRA entity, NMRA judging is extended to any person showing a model at the person's request and not at NMRA insistence, and whether a NMRA membership booth is present and NMRA membership materials and brochures are provided to attendees. This does not exhaust the list of factors to consider but it is illustrative.

I mention the membership and insurance because they are intertwined. The insurance purchased by the NMRA extends liability coverage to its regions and divisions to protect them if there is a loss. One of the key elements for coverage is whether the event is an NMRA event or an event co-hosted with a non-NMRA entity. If the insurance determines the insured did not fulfill its obligations, then the insurance company may issue a reservation of rights letter or decline coverage entirely.

One of the requirements for insurance coverage is that the NMRA entity must consist of NMRA members only. If the NMRA entity allows non-members to participate in NMRA activities, the insurer will most likely decline coverage of a loss. If the insurance company declines coverage, then the directors, officers, and members may be held personally responsible for the loss. Thus, for the protection of all NMRA members, every NMRA entity must consist of NMRA members only. This insurance requirement does not extend to a non-NMRA entity participating in a co-hosted event. When the event is a co-hosted event, then the insurance coverage will extend to the NMRA and the non-NMRA entity.

The only requirement for coverage of a co-hosted activity is that the NMRA entity must consist of NMRA members. Likewise, participation by non-NMRA members in NMRA activities in order to provide the non-member with a practical demonstration of the benefits of membership and to encourage them to join the NMRA does not void the insurance coverage. Rather, the insurance company will decline coverage of a loss when the NMRA entity does not take reasonable precautions to ensure it consists of NMRA members only.

A few years ago a NMRA division held an event open to the public in a municipal convention center. During the event, an overhead door came down and hit a person on his head requiring immediate medical attention at a hospital. The man sustained a significant injury. As might be expected, the man sued a number of different persons and entities include both the city and the NMRA division. The insurance company provided the division with attorneys to represent it in the lawsuit and it paid a sum to the man for settlement of any liability on the part of the division. If the division had not been made up of members only, the directors, officers, and members could have been personally liable for the loss.

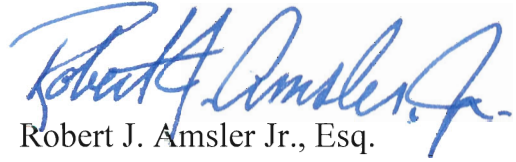
The NMRA is requiring all region presidents to sign a declaration identifying by name and address all of its directors and officers and stating that it only consists of NMRA members. Moreover, the declaration requires the region president to identify by name and address the directors and officers of each of its divisions and to certify that the region made a reasonable inquiry to determine that each division consists of NMRA members only. The form is enclosed for your use. You may copy the form and make it available to your divisions for their officers to complete and return to you. Providing the form to the divisions will ensure the people at the local level with knowledge of the facts are certifying the local entity is compliant with these requirements.

Please review the form and complete it as soon as possible. Your cooperation in this task ensures that your region, divisions, officials, and membership are compliant with the NMRA regulations and demonstrate to the insurer of our efforts to comply with the insurance requirements. The Board of Directors of the NMRA instructed the chief financial officer to withhold the money provided by the NMRA to a region for the administration of NMRA programs if the region fails to complete and successfully submit the membership certification form until such time as the region does submit its information.

If you have any questions, please contact me.

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Respectfully yours,

A handwritten signature in blue ink that reads "Robert J. Amsler Jr." with a stylized flourish at the end.

Robert J. Amsler Jr., Esq.
General Counsel
National Model Railroad Association

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