

TRINITY RISK SOLUTIONS RECIPROCAL INSURANCE COMPANY, A RISK RETENTION GROUP GOVERNANCE STANDARDS

The Subscribers Advisory Committee (the “SAC”) of Trinity Risk Solutions Reciprocal Insurance Company, a Risk Retention Group (the “Reciprocal”) is responsible for promoting and acting in the best interests of all subscribers of the Reciprocal. The SAC has been established pursuant to the terms of the Subscribers Agreement entered into by the members of the Reciprocal and Bylaws of the Reciprocal. The SAC is the ultimate decision-making body of the Reciprocal except with respect to those matters reserved to subscribers. The business and affairs of the Reciprocal are managed by its attorney-in-fact under the direction of the SAC. The SAC has adopted these Governance Standards (“Governance Standards”) to promote appropriate governance of the Reciprocal for the benefit of its subscribers and other interested persons. To the extent of any conflict or inconsistency with the Reciprocal’s Bylaws, the Bylaws shall control.

Subscribers Advisory Committee Responsibilities

The SAC is responsible for overseeing the policies, strategies, operations, and management of the Reciprocal. The SAC collectively, and each SAC member individually, is responsible for the following:

- Encouraging a corporate-wide culture of ethical behavior and legal compliance.
- Monitoring and, where appropriate, approving or disapproving fundamental financial and business strategies and actions.
- Reviewing assessments of the major risks facing the Reciprocal – and reviewing options for their mitigation and management.
- Approving the investment of the Reciprocal’s assets, including reviewing its compliance with applicable laws and with any written investment policies adopted from time to time by the SAC.
- Reviewing and approving or disapproving material transactions outside of the ordinary course of business.
- Recommending and nominating candidates to the SAC in accordance with the Bylaws.
- Developing policies of management succession to ensure continuity of the Reciprocal’s operations.

The SAC shall furthermore:

- Assure that all subscribers of the Reciprocal receive evidence of their subscription in the Reciprocal consistent with the Bylaws of the Reciprocal.
- Formulate and maintain the Reciprocal’s governance standards.
- Oversee the evaluation of the Reciprocal’s management including but not limited to the performance of the captive manager, managing general underwriter or other party or parties responsible underwriting, determination of rates, collection of premium, adjusting or settling claims or the preparation of financial statements.

- Review and approve the amount to be paid for all material service providers, and ensure that material service provider contracts comply with the applicable provisions of Section 3775, (Governance Standards for Risk Retention Groups), of Chapter 37 (Captive Insurance Companies), Title 26 (Insurance, Securities and Banking), Subtitle A (Insurance), of the District of Columbia Municipal Regulations (DCMR).
- Review and approve, at least annually:
 - the Reciprocal’s goals and objectives relevant to the compensation of officers and service providers;
 - the officers’ and service providers’ performance in light of those goals and objectives; and,
 - the continued engagement of the officers and material service providers.

In all actions taken by the SAC, the SAC members are expected to exercise their business judgment in a manner they reasonably believe to be the best interests of the Reciprocal. In discharging this obligation, each SAC member is entitled to rely upon any Board Committees of which the SAC member is not a member if the SAC member reasonably believes the committee merits confidence, the Reciprocal’s officers whom the SAC member believes are reliable and competent in the matters presented, the Reciprocal’s attorney-in-fact and legal counsel, public accountants and other outside advisors as to matters the SAC member reasonably believes are reliable and competent in the matters presented. Each SAC member of the Reciprocal is expected to spend the time and effort necessary to properly discharge the SAC member’s responsibilities.

Definition of Independence

The Reciprocal’s SAC shall consist of a majority of independent members, as defined herein:

- No SAC member qualifies as “independent” unless the SAC affirmatively determines that the SAC member has no “material relationship” with the Reciprocal. Any person that is a direct or indirect owner of or subscriber in the Reciprocal (or is an officer, director and/or employee of such an owner and insured, unless some other position of such officer, director and/or employee constitutes a “material relationship”) as a risk retention group described in 15 USC §3901(a)(4)(E)(ii), is considered to be “independent”.
- “Material relationship” with the Reciprocal means a relationship between a SAC member and the Reciprocal if the SAC member, a member of his or her immediate family, or any business with which such SAC member is affiliated:
 - (i) In any 12-month period, receives compensation or payment of any other item of value from the Reciprocal or a consultant or service provider to the Reciprocal in an amount greater than or equal to five percent (5%) of the Reciprocal’s gross written premium for such 12-month period or two percent (2%) of its surplus, whichever is greater, as measured at the end of any fiscal quarter falling in such a 12-month period. Such person is not independent until one year after the compensation described herein from the Reciprocal falls below the threshold.
 - (ii) Is affiliated with or employed in a professional capacity by a present or former internal or external auditor of the Reciprocal. Such material relationship shall continue for one year after the end of the affiliation, employment or auditing relationship ends.

- (iii) Is employed as an executive officer of another company where any of the Reciprocal's present executives serve on that other company's board of directors. Such material relationship shall continue for one year after such employment or service ends.

The SAC shall annually review compliance with the standards of independence set forth above, and shall disclose these determinations to the Department at least annually.

SAC Composition and Operation

- The SAC shall consist of at least three members, at least two-thirds of which shall be Subscribers (or duly authorized representatives of a Subscriber).
- It is the policy of the SAC that subscribers should have flexibility in determining who they shall provide to represent them on the SAC. Subscribers are encouraged to consider their representative's experience and understanding of the business of the Reciprocal and the contributions that such person can make to the operation of the SAC.
- Newly elected members of the SAC shall take office on the January 1 of the year following their election. The SAC does not believe it should establish term limits.
- In connection with each annual meeting of subscribers, the SAC will nominate for election to the SAC a number of persons equal to the number of members to be elected. The SAC may establish a committee for the purpose of selecting its nominees. In selecting nominees, the SAC will consider diversity of representation among the subscribers.
- The SAC is free to make the selection of its Chairman in the manner and upon the criteria that the SAC deems appropriate at the time of the selection.
- The Chairman sets the agenda for SAC meetings with the understanding that certain items necessary for appropriate SAC oversight, such as annual budgets, long range plans and committee reports, must appear periodically on the agenda. SAC members may suggest that particular items be placed on the agenda.
- The SAC generally meets on a quarterly basis. In addition, special meetings may be called from time to time as determined by the needs of the business. It is the responsibility of the members of the SAC to attend meetings
- From time to time, the SAC devotes an extended meeting to a review of the Reciprocal's long-term strategic and business plans.
- Information and data are important to the SAC's understanding of the business and are essential to prepare SAC members for productive meetings. Presentation materials relevant to each meeting will be distributed in writing to the SAC in advance of the meeting, unless doing so would compromise the confidentiality of competitive information. Under normal circumstances, materials should be delivered at least three days in advance of the meeting. In the event of a pressing need for the SAC to meet on short notice, it is recognized that written materials may not be available in advance of the meeting. The attorney-in-fact will make every effort to provide presentation materials that are brief and to the point, but yet communicate the essential information.

Committees

- The SAC has two standing committees: Executive and Finance. The Finance Committee shall consist solely of independent members. The Reciprocal may utilize other committees on an as-needed basis. Each committee, excluding ad hoc committees, will have a written charter outlining its responsibilities.
- The SAC does not have a firm policy mandating rotation of committee assignments since special knowledge or experience may mitigate in favor of a particular member serving for an extended period on one committee.

- The Chairman of each committee, in consultation with committee members, will determine the frequency of committee meetings.
- The Chairman of the committee, in consultation with the Reciprocal's attorney-in-fact, will develop the committee's agenda. Each SAC member may recommend agenda items for any committee meeting.

SAC Member Orientation and Continuing Education

New members of the SAC, upon election to the SAC, will be provided with a comprehensive set of materials on the operations and finances of the Reciprocal and will meet informally with representatives of the attorney-in-fact and the Chairman or his or her designee for an orientation to the operations of the Reciprocal. The SAC will coordinate with the attorney-in-fact to provide continuing education for the members of the SAC, whether formal or informal, with respect to matters that may affect the operation of the Reciprocal.

Ethics and Conflicts of Interest

All SAC members, officers and the attorney-in-fact of the Reciprocal must adhere to the Reciprocal's Code of Business Conduct and Ethics. Each SAC member, officer and the Reciprocal's attorney-in-fact shall read and acknowledge the Code of Business Conduct and Ethics upon joining the Reciprocal and annually thereafter.

SAC Member Compensation

It is the policy of the SAC that members of the SAC should not receive any compensation from the Reciprocal for service on the SAC since they are serving on the SAC as representatives of either a subscriber or the attorney-in-fact. However, it is the policy of the SAC that members of the SAC should be reimbursed for travel expenses for attending SAC meetings.

Annual Performance Evaluations

- The SAC will sponsor an annual self-assessment of the SAC's performance, the results of which will be discussed with the members of the SAC. The assessment should include a review of any areas in which the SAC believes the SAC can make a better contribution to the governance of the Reciprocal. The purpose of the review will be to improve the performance of the SAC as a unit, and not to target the performance of an individual member.
- The independent members of the SAC should perform an annual evaluation of the Reciprocal's attorney-in-fact. The evaluation should be based on objective criteria, including performance of the business and accomplishment of long-term strategic objectives of the Reciprocal.

Access to Senior Management and the Attorney-In-Fact

- The SAC should serve as a resource for senior management and the Reciprocal's service providers in matters of planning and policy. SAC members shall have full and open access to senior management, service providers and independent advisors of the Reciprocal as may be necessary and appropriate for SAC members to serve the best interests of the Reciprocal.

- SAC members have complete access to the attorney-in-fact. SAC members will use judgment to assure that this contact is not distracting to the business operation of the Reciprocal, and that such contact, if in writing, be copied to the Chairman of the SAC.
- The SAC may direct the attorney-in-fact to bring representatives of the attorney-in-fact into SAC meetings from time to time to:
 - (i) provide insight into items being discussed by the SAC which involve the attorney-in-fact; and,
 - (ii) make presentations to the SAC on matters which involve the attorney-in-fact.

Independent Auditors

The SAC, by its designated Audit Committee (or, if elected by the SAC and permitted by the Commissioner of Insurance of the District of Columbia Department of Insurance, Securities and Banking, or by the applicable laws or regulations of the District of Columbia, by direct SAC appointment and interface with the auditor), shall engage an independent auditor to audit the Reciprocal's financial statements, to review internal controls over the Reciprocal's financial reporting, examine the amounts and disclosures in the financial statements, assess the accounting principles and significant estimates made by the Reciprocal's management, and evaluate the Reciprocal's overall financial statement presentation. Such duties shall include but are not necessarily limited to the following:

- Oversight of the integrity of the financial statements, the compliance with legal and regulatory requirements, and the qualifications, independence and performance of the independent auditor and actuary;
- Discussing the annual audited financial statements and quarterly financial statements with management;
- Discussing the annual audited financial statements with the Reciprocal's independent auditor and, if advisable, discussing the quarterly financial statements, with the Reciprocal's independent auditor;
- Discussing policies with respect to risk assessment and risk management;
- Meeting separately and periodically, either directly or through a designated representative or representatives, with management and the Reciprocal's independent auditor;
- Reviewing with the independent auditor any audit problems or difficulties and management's response;
- Setting clear hiring policies of the Reciprocal as to the hiring of employees or former employees of the Reciprocal's independent auditor; and,
- Unless otherwise waived by the Commissioner of Insurance of the District of Columbia Department of Insurance, Securities and Banking, or permitted by the applicable laws or regulations of the District of Columbia, require the independent auditor to rotate the lead (or coordinating) audit partner having primary responsibility for the Reciprocal's audit as well as the audit partner responsible for reviewing that audit so that neither individual performs audit services for more than five (5) consecutive fiscal years.

Service Provider Contracts

The term of any material service provider contract with the Reciprocal shall not exceed 5 years. Any such contract, or its renewal, shall require the approval of the majority of the Reciprocal's independent SAC members. The Reciprocal's SAC shall have the right to terminate any service provider, audit or actuarial contracts at any time for cause after providing adequate notice as defined in the contract. The service provider contract is deemed "material" if the amount to be paid under such contract is greater than or equal to five percent (5%) of the Reciprocal's annual gross written premium or two percent (2%) of its surplus, whichever is greater.

- All agreements with service providers shall be in the best interests of the Reciprocal.
- To the extent permissible under District of Columbia law, service providers should contract directly with the Reciprocal and not the attorney-in-fact of the Reciprocal.
- The Reciprocal shall not enter into any service provider contract deemed "material" as defined above unless the Reciprocal has notified the Commissioner of Insurance of the District of Columbia Department of Insurance, Securities and Banking in writing of its intention to enter into such a transaction at least 30 days prior to the effective date and the Commissioner of Insurance of the District of Columbia Department of Insurance, Securities and Banking has not disapproved it within 30 days after such notice.
- For all agreements with service providers as to which prior approval is not required hereby, executed copies of such agreements, amendments and renewals shall be filed with the Commissioner of Insurance of the District of Columbia Department of Insurance, Securities and Banking.
- For purposes of this standard, a "service provider" may include captive managers, auditors, accountants, actuaries, investment advisors, lawyers, managing general underwriters or other party responsible for underwriting, determination of rates, collection of premium, claims adjustment and settlement and/or the preparation of financial statements. Lawyers acting as defense counsel retained by the Reciprocal to defend claims, are excluded from the definition of service provider unless the amount of fees paid are "material" as defined above.

Disclosure Regarding Corporate Governance

These Governance Standards of the Reciprocal shall be made readily available to the subscribers of the Reciprocal through electronic or other means and upon request by any subscriber of the Reciprocal.

Adopted by the Subscribers Advisory Committee of Trinity Risk Solutions Reciprocal Insurance Company, A Risk Retention Group, on November 16th, 2017.