

# **TIMBER CREEK CASUALTY INSURANCE RISK RETENTION GROUP, INC.**

## **Corporate Governance Standards**

The Board of **Timber Creek Casualty Insurance Risk Retention Group, Inc.** (the "Company") has adopted these corporate governance standards to further its longstanding objective to provide appropriate governance of the Company for the long-term benefit of shareholders. Effective corporate governance requires a proactive, focused state of mind on the part of Directors, the Chairman of the Board, the Chief Executive Officer, the President, and senior management, who are committed to the Company's success through maintenance of the highest ethical standards. These standards are not intended to be a static set of rules but will be reviewed regularly by the Board of Directors. All changes to these standards shall be approved by the Board of Directors.

### **Mission of the Board**

The Board of Directors (the "Board") oversees the performance of the Company in the interest and for the benefit of the shareholders. The Board has delegated to the Chairman of the Board, the Chief Executive Officer, and the President together with the other officers of the Company, the authority and responsibility for managing the business of the Company under the direction of the Board.

### **Election of Directors**

The Board will nominate annually the slate of Directors recommended for continued Board of Directors service. All Directors nominated for service shall stand for election at the Company's Annual Meeting. All elected Directors serve for one year terms.

### **Selection and Election of New Directors**

The Board is responsible for the identification, evaluation, and recommendation of candidates for membership to the Board. In fulfilling this responsibility, the Board will observe the following process:

- The Board shall routinely assess the skills, background and expertise of existing Board members, anticipate potential Director retirement dates, develop specific criteria for Director candidates tailored to the Board's needs, and establish a candidate search and selection process as appropriate to enable the Board to approve the best qualified candidates for Board membership.
- The Board may receive referrals for Director candidates from members of the Board or from any other source. These referrals will be considered as a part of the ongoing assessment of the composition of the Board described above.

- The qualifications of Director candidates will be evaluated in accordance with the criteria set forth above. In completing this evaluation, the Board is empowered to interview the candidate and undertake any investigations that the Committee deems necessary. In addition, the Secretary will undertake a background investigation, the results of which will be provided to the Board.
- If the Board determines that a candidate is qualified and the election of the individual as a member of the Board would be in the best interests of the Company, a recommendation will be made by the full Board to extend an invitation to the candidate to join the Board. In connection with this recommendation, the Board will arrange for the candidate to meet the members of the Board upon request of the Board. If the full Board determines that an invitation should be extended to the candidate, the Board will deliver the invitation.
- If the candidate accepts the invitation, and the vacancy is being filled between Annual Meeting dates, the Board will vote to fill the vacancy. If the candidate is being considered for election at an Annual Meeting, the candidate's name will be included on the list of Director candidates submitted to the Secretary prior to the Annual Meeting, in that the election must be made by the shareholders. The term of any Director elected to fill a vacancy is the period of time until the next Annual Meeting.

#### **Board Membership Criteria/Director Qualification Standards**

To be considered for Board membership, individuals should be committed to representing the long-term interests of the shareholders and possess all of the following personal characteristics:

- integrity and accountability
- informed judgment
- business competency
- maturity and self-confidence
- high ethical and performance standards

The Board as a whole should possess all of the following core competencies, with each candidate contributing knowledge, experience, and skills in at least one domain:

- accounting and finance
- business judgment
- management
- crisis response
- industry/government knowledge
- leadership
- strategy development

The Board will consider the distinctive skills, perspectives, and experiences that candidates diverse in gender, ethnic background, geographic origin, and professional experience can bring to the Board.

### **Board Responsibilities**

The Board is responsible for providing oversight over the strategy, operations, and management of the Company. The Board collectively is responsible for the following:

1. Assuring that all owner/insureds of the risk retention group receive evidence of ownership interest.
2. Overseeing the evaluation of the risk retention group's management including, but not limited to, the performance of the captive manager, managing general underwriter, or other party or parties responsible for underwriting, determination of rates, collection of premium, adjusting or settling claims, or the preparation of financial statements.
3. Reviewing and approving the amount to be paid for all material service providers.
4. Reviewing and approving, at least annually, all of the following:
  - A. Risk retention group's goals and objectives relevant to the compensation of officers and service providers.
  - B. The officers' and service providers' performance in light of those goals and objectives.
  - C. The continued engagement of the officers and material service providers.
5. Serving as the audit committee, with appropriate regulatory approvals.

### **Access to Senior Management and Employees**

The Board should serve as a resource for senior management in matters of planning and policy. Directors shall have full and open access to senior management and other employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through senior management. Directors will use good judgment to ensure contact is not distracting to the business operations of the Company. Generally, the Chairman of the Board, the Chief Executive Officer and the President shall be advised of significant business contacts between directors and employees of the Company. The Board encourages senior management to invite into Board and Committee meetings Company employees who can provide insight into items being discussed or have potential that senior management believes merits their being given exposure to the Directors.

### **Access to Outside Advisors**

The Board, as well as each of its Committees, shall have the right to retain outside financial, legal, compensation, or other experts or consultants, for any purpose reasonably related to the duties of the Board or any Board Committee. The expenses of such experts or consultants shall be paid by the Company.

### **Director Compensation**

The Board shall determine the form and amount of Director compensation. The Board shall review at least every two years Director compensation in relation to compensation paid to Directors of comparable companies. Director compensation will be publicly disclosed to the extent required by law. Directors who are employees of the Company shall not normally be eligible for Director compensation.

### **Director Orientation and Continuing Education**

The Company shall provide a comprehensive Director orientation program. This program will enable new Directors to become familiar with the Company's vision, strategic direction, financial matters, corporate governance standards, Code of Business Conduct and Ethics for Members of the Board (the "Code"), and other key policies and practices through a review of background materials and meetings with senior management. The Company also recognizes the importance of continuing education for its Directors. Directors shall be provided with continuing education on subjects that would assist them in discharging their duties, including regular programs on financial planning and analysis, compliance and corporate governance developments, business-specific learning opportunities, and briefing sessions on topics that present special risks and opportunities to the Company. Directors are encouraged to participate in continuing education programs, and will provide the Board with a list of the programs attended on an annual basis. The Secretary shall inform the Directors about appropriate educational opportunities on a periodic basis and the Board shall oversee and periodically evaluate the Director orientation and continuing education programs.

### **Executive Selection, Career Development and Succession Planning**

The Board is responsible for selection of a President, a Secretary and a Treasurer and may elect one or more Vice Presidents or such other Officers as the Board deems proper. The President shall make a report annually to the Board, in executive session, on the Company's program for executive career development and succession planning. The President shall on a continuing basis make recommendations and evaluation of their respective potential successors to the Board in the event of an unexpected disability or incapacity. The Board shall review the executive succession plans, normally on an annual

basis, for contingencies such as the departure, death, or disability of the President or other key executives so that, in the event of an untimely vacancy, an emergency succession plan is in place to facilitate the transition to both interim and longer-term leadership. The Board shall routinely monitor and review the career development and progression of senior executives of the Company.

### **Board and Director Performance Evaluations**

The Board will perform a self-evaluation on a regular basis. The purpose of the self-evaluation is to improve the performance of the Board. The evaluation process will be administered by the Board and will include an overall assessment by each Director of the performance of the Board and Board committees on which that Director serves, as well as a self-evaluation of that Director's performance. No more frequently than once every year, the Board may elect to have the evaluation process facilitated by an outside consulting firm which is experienced in such matters. The facilitated evaluation may include reviews of the performance of the full Board, Board Committees and individual Directors, as determined by the Board. The Board will compile the results of the evaluation of the Board and each Board Committee, and present the results at the next regularly scheduled Board meeting. Each Director will meet with the full Board on a periodic basis, at least once every year, to discuss that Director's performance, using the Director's self-evaluation as a starting point.

### **Independence of Directors**

The Board of Directors of the Company shall have a majority of independent Directors.

### **Definition of Independence**

No Director qualifies as independent unless the Board of Directors affirmatively determines that the Director has no material relationship with the Company. The Company shall disclose these determinations to the Commissioner of the Tennessee Department of Commerce and Insurance at least annually.

Any person that is a direct or indirect owner of or subscriber in the Company (or is an officer, director, or employee of such an owner and insured, unless some other position of such officer, director, or employee constitutes a material relationship), as contemplated by Section 3901(a) (4) (E) (ii) of the federal Liability Risk Retention Act, is considered to be "independent."

For the purposes of this section, a material relationship of a person with the Company includes, but is not limited to, the following:

1. The receipt in any one 12-month period of compensation or payment of any other item of value by such person, a member of such person's immediate

family, or any business with which such person is affiliated from the Company or a consultant or service provider to the Company is greater than or equal to five percent (5%) of the Company'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 or immediate family member of such person is not independent until one year after his/her compensation from the Company falls below the threshold.

2. A relationship with an auditor as follows: a Director or an immediate family member of a Director who is affiliated with or employed in a professional capacity by a present or former internal or external auditor of the Company is not independent until one year after the end of the affiliation, employment, or auditing relationship.
3. A relationship with a related entity as follows: a Director or immediate family member of a Director who is employed as an executive officer of another company where any of the Company's present executives serve on that other company's Board is not independent until one year after the end of such service or the employment relationship.

#### **Disclosure Regarding Corporate Governance**

These governance standards will be made readily available to the Shareholders of the Company and to any interested person upon request.

*Adopted by Unanimous Consent by the Board of Directors of Timber Creek Casualty Insurance Risk Retention Group on this 30<sup>th</sup> day of March, 2020.*

*Kevin Michael Steele Jr.*  
Signature of Authorized Party

Kevin Michael Steele Jr.  
Printed Name

President  
Title