

## **COPIC, A RISK RETENTION GROUP**

### **GOVERNANCE STANDARDS**

#### **1. Introduction**

The Board of Directors of COPIC, A Risk Retention Group (“the Corporation”) has adopted these Governance Standards to promote effective governance of the Corporation. The Board of Directors will review these Governance Standards periodically and may amend them as it deems necessary or appropriate to ensure proper governance of the Corporation or comply with District of Columbia law.

#### **2. Process for Electing Directors**

As provided by the Corporation’s Bylaws, the Corporation is managed and directed by a Board of Directors consisting of three to nine natural persons of eighteen years of age or older. Subject to the appointment rights discussed below, Directors are elected as follows: Nominations for election as a Director are made by the Board of Directors and submitted to the Members for voting at the Annual Meeting of the Members. Each Member is entitled to one vote for each seat to be filled on the Board of Directors. Voting is not cumulative. The candidates receiving the highest number of votes are elected to the Board of Directors. Under procedures described in the Bylaws, the Board has authority to fill any vacancies that may arise on the Board of Directors due to a Director’s resignation, incapacity or other causes. COPIC Trust (the “Trust”), as lender to the Corporation of its initial surplus, has the right to appoint no less than one-third (1/3) of the Directors of the Corporation. The Trust’s right to appoint Directors will expire when Corporation pays in full the loan made by the Trust.

#### **3. Director Qualifications**

The following qualifications are required to serve as a Director:

- Honesty and integrity
- Relevant education, training, experience and credentials
- Relevant business competency
- Sound business judgment

The Board as a whole should possess the following core competencies, to the fullest extent practicable:

- Industry knowledge
- accounting and finance
- business judgment
- management/administration
- regulatory compliance
- risk management
- leadership/vision

Certain additional eligibility criteria for Directors are established by Section 4.10 of the Corporation’s Bylaws.

The Board of Directors shall have a majority of independent Directors. Whether a Director is independent shall be determined by the Board of Directors annually in accordance with standards established by District of Columbia law. The Board of Directors shall maintain a record of its determinations and shall report its

determinations to the District of Columbia Department of Insurance, Securities and Banking promptly upon request.

#### **4. Director Duties and Responsibilities**

Directors have a fiduciary obligation to the Corporation to act with diligence, loyalty and care when carrying out their responsibilities.

The Board of Directors shall oversee and direct the operations of the Corporation. Their activities in this regard will include the following:

- Strategic planning
- Establishing financial and operational objectives
- Providing direction to management to achieve the Corporation's objectives
- Developing corporate policies
- Overseeing the annual audit and external auditors
- Evaluating performance and financial results
- Monitoring compliance with the Corporation's Articles of Incorporation, Bylaws and Governance Standards
- Monitoring compliance with all laws applicable to the operation of the Corporation

#### **5. Access to Management and Independent Advisors**

Directors shall have direct access to the Corporation's management, independent auditor and advisors. The Board of Directors may retain independent advisors as it reasonably deems necessary and appropriate to meet its obligations to the Corporation.

#### **6. Director Compensation**

Directors will receive no compensation other than reimbursement for reasonable travel and other expenses incurred to attend Board of Directors and Committee meetings or otherwise incurred to fulfill their duties as Directors.

#### **8. Director Orientation and Continuing Education**

New Directors will receive appropriate orientation materials, including the Corporation's Plan of Operation, financial statements, Bylaws, Governance Standards and Code of Business Conduct and Ethics. Upon request, new Directors may participate in an orientation program with incumbent Directors and senior management to discuss topics such as operations, compliance practices, financial operations and organizational structure.

Directors shall from time to time attend insurance industry conferences, webinars or seminars to further their knowledge and understanding of the Corporation's industry and shall stay informed about legislative, regulatory and other developments related to risk retention groups and the medical professional liability insurance industry.

#### **9. Policies and Procedures for Management Succession**

The Board of Directors will work with senior management to develop succession plans for the

Corporation's senior officers. The process shall include the designation of appropriate persons or a Committee of the Board of Directors to identify and interview individuals qualified to succeed senior managers and the presentation of recommendations for succession to the Board of Directors.

#### **10. Annual Performance Evaluation of the Board of Directors**

The Board of Directors will work with senior management to develop forms and procedures for the Board of Directors to conduct self-evaluations of its effectiveness in carrying out its responsibilities. Self-evaluations shall be conducted and reviewed on an annual basis.

#### **11. Disclosure of Governance Standards**

The Corporation will post these Governance Standards on its website or make them available to the Corporation's Members by other electronic means and shall provide them to Members upon request.

#### **12. Relationship of Governance Standards to Bylaws**

If there is any conflict between these Governance Standards and the Bylaws of the Corporation, the Bylaws shall govern.

**Adopted by the Board of Directors: August 21, 2018.**