

**HEALTHCARE PROFESSIONAL LONG TERM CARE
RISK RETENTION GROUP, INC.
GOVERNANCE STANDARDS**

The Board of Directors of Healthcare Professional Long Term Care Risk Retention Group, Inc. (the “Company”) has adopted these Governance Standards (“Governance Standards”) to promote appropriate governance of the Company for the benefit of its shareholders, policyholders and other interested persons. To the extent of any conflict or inconsistency with the Company’s Bylaws, the Bylaws shall control.

Board Responsibilities

The Board of Directors is responsible for overseeing the policies, strategies, operations, and management of the Company. The Board collectively, and each Director 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 corporate actions.
- Reviewing assessments of the major risks facing the Company – and reviewing options for their mitigation and management.
- Approving the investment of the Company’s assets, including reviewing its compliance with applicable laws and with any written investment policies adopted from time to time by the Board of Directors.
- Formulating and maintaining the Company’s governance standards.
- Reviewing and approving or disapproving material transactions outside of the ordinary course of business.
- Recommending and nominating candidates to the Board of Directors in accordance with the Bylaws.
- Developing policies of management succession to ensure continuity of corporate operations.

In all actions taken by the Board, the Directors are expected to exercise their business judgment in a manner they reasonably believe to be the best interests of the Company. In discharging this obligation, each Director is entitled to rely upon any Board Committees of which the Director is not a member if the Director reasonably believes the committee merits confidence, the Company’s officers and employees whom the Director believes are reliable and competent in the matters presented, and legal counsel, public accountants and other outside advisors as to matters the Director reasonably believes are reliable and competent in the matters presented. Each

Director of the Company is expected to spend the time and effort necessary to properly discharge the Director's responsibilities.

Definition of Independence

The Company's Board of Directors shall consist of a majority of Independent Directors, as defined herein:

- No director qualifies as "independent" unless the Board of Directors affirmatively determines that the director has no "material relationship" with the Company. For this purpose, any person that is a direct or indirect owner of the Company (or is an officer, director and/or employee of such owner and insured, unless some other position of such officer, director and/or employee constitutes a "material relationship"), as contemplated by Section 3901(a)(4)(E)(ii) of the Liability Risk Retention Act, is considered to be "independent".
- "Material relationship" with the Company includes, but is not limited to:
 - (i) The receipt from the Company or a consultant or service provider to the Company in any one 12-month period of compensation or payment of any other item of value by: (1) such person; (2) a member of such person's immediate family; or (3) any business with such person is affiliated; which 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 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.
 - (ii) A relationship with an auditor as follows: a director or a director's immediate family member 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 affiliation, employment or auditing relationship ends.
 - (iii) A relationship with a related entity as follows: a director or a director's immediate family member 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 of directors is not independent until one year after the end of such service or the employment relationship.

The Board of Directors shall annually review compliance with the standards of independence set forth above, and shall disclose these determinations to the North Carolina Insurance Department at least annually.

Director Qualification Standards

The following qualifications are required to serve as a Director of the Company:

- 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:

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

Nomination and Election of Directors

The following process will be observed for nomination of candidates for Director of the Company:

- Prior to the Company's Annual Meeting of the Shareholders each year, the Board of Directors or any Committee designated by the Board for such purpose shall nominate the slate of Directors recommended for Board of Director service. In determining the composition of the annual slate of Directors, the Board or any such Committee shall review the performance each current Director considered for nomination to an additional term.
- Recommendations for Director nominees may be received from members of the Board of Directors, from insured-owners of the Company or from any other source.
- The qualifications of Director nominees shall be evaluated in accordance with the criteria set forth in these Governance Standards.
- The skills, background and expertise of existing and proposed Board members will be assessed, anticipating any potential Director departure from the Board.
- All Directors nominated for service shall stand for election at the Company's Annual Meeting of the Shareholders, in accordance with the Bylaws.

Director Orientation and Continuing Education

The Company shall provide a Director orientation program. This program shall be designed to enable new Directors to become familiar with the Company's operations, policies, strategies, finances, and other key policies and practices.

Directors shall be encouraged to participate in continuing education programs. The Board of Directors or any Committee designated by the Board of Directors for such purpose shall make efforts to notify Directors of appropriate continuing education opportunities, and oversee and periodically evaluate the Director orientation and continuing education programs.

Ethics and Conflicts of Interest

All Directors, officers and any employees must adhere to the Company's Code of Business Conduct and Ethics. Each Director, officer and employee shall read and acknowledge the Code of Business Conduct and Ethics upon joining the Company and annually thereafter.

Director Compensation

The Board of Directors of the Company shall determine the amount of Director compensation, if any, in accordance with the Bylaws of the Company. In making such determination, the Board shall consider whether a Director is otherwise compensated by the Company as an employee or service provider.

Board Performance Evaluations

In order to continuously improve its performance, the Board of Directors shall conduct a performance self-evaluation at least annually.

Access to Senior Management and Employees

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

Access to Outside Advisors

The Board of Directors shall have the right to retain independent financial, legal, compensation, or other experts or consultants, for any purpose reasonably related to the duties of the Board of Directors or any Board Committee. The reasonable expenses of such experts or consultants shall be paid by the Company.

Independent Auditors

The Board, through the Audit Committee, or by direct Board appointment and interface with the Auditor if no such committee is designated, shall engage an independent auditor to audit the Company's financial statements, to review internal controls over the Company's financial reporting, examine the amounts and disclosures in the financial statements, assess the accounting principles and significant estimates made by the Company's management, and evaluate the Company's overall financial statement presentation, including but not necessarily limited to the following:

- Oversee (1) the integrity of the financial statements, (2) the compliance with legal and regulatory requirements; (3) the qualifications, independence and performance of the independent auditor and actuary; and, (4) the performance of the captive manager, managing general underwriter or other party or parties responsible for underwriting, determination of rates, premium collection, claims adjustment and settlement, or the preparation of financial statements;

- Discuss the annual audited financial statements and quarterly financial statements with management;
- Discuss the annual audited financial statements, and if advisable, the quarterly financial statements, with the Company's independent auditor;
- Discuss policies with respect to risk assessment and risk management;
- Meet separately and periodically, either directly or through a designated representative or representatives, with management and the Company's independent auditor;
- Review any audit problems or difficulties and management's response with the Company's independent auditor;
- Set clear hiring policies of the Company as to the hiring of employees or former employees of the Company's independent auditor; and,
- Unless otherwise exempted under the applicable laws or regulations of the State of North Carolina or waived or granted exception by the Commissioner of Insurance of the State of North Carolina, require the independent auditor to rotate the lead (or coordinating) audit partner having primary responsibility for the Corporation'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.

If a separate Audit Committee shall be designated by the Board of Directors of the Company or required by the Commissioner of Insurance of the State of North Carolina, the following requirements shall apply:

- The Audit Committee shall have a written charter that defines the committee's purpose, which, at a minimum, shall include the standards and requirements set forth above.
- The Audit Committee shall report regularly to the Board of Directors of the Company.

Service Provider Contracts

The term of any material service provider contract with the Company shall not exceed 5 years. Any such contract, or its renewal, shall require the approval of the majority of the Company's independent directors. The Company's Board of Directors 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 either five percent (5%) of the Company'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 Company.
- No "material" service provider agreement shall be entered into unless the Company has notified the Commissioner of Insurance of the State of North Carolina of its intention to enter into such transaction at least 30 days prior thereto and the Commissioner has not disapproved it within such period.

- 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 North Carolina Insurance Department.
- For purposes of this standard, “service providers” include captive managers, auditors, accountants, actuaries, investment advisors, lawyers, managing general underwriters or other party responsible for underwriting, rates determination, premium collection, claims adjustment and settlement and/or financial statement preparation. Any reference to “lawyers” here does not include defense counsel the Company retains to defend claims, unless the amount of fees paid to such lawyers are “material” as defined above.

Disclosure Regarding Corporate Governance

These Governance Standards and the Bylaws of the Company shall be made readily available to the shareholders and policyholders of the Company and furnished upon request.

Adopted by the Board of Directors of Healthcare Professional Long Term Care Risk Retention Group, Inc. on February 3, 2021.