

PROASSURANCE AMERICAN MUTUAL, A RISK RETENTION GROUP

GOVERNANCE STANDARDS

The Board of Directors of ProAssurance American Mutual, A Risk Retention Group (the “Corporation”) has adopted these Governance Standards to promote appropriate governance of the Corporation for the benefit of its members and other interested persons.

A. Director Qualification Standards

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

1. Honesty and integrity
2. Relevant education, training, experience and credentials
3. Relevant business competency
4. Sound business judgment

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

1. Accounting and finance
2. Business judgment
3. Management/administration
4. Industry knowledge
5. Legal compliance
6. Risk management

B. Nomination and Election of Directors

1. The property, affairs and business of the Corporation is managed and directed by the Board of Directors, which shall consist of no less than three (3) and no more than nine (9) Directors.
2. ProAssurance Indemnity Company, Inc., the lender to the Corporation of its initial surplus (“Lender”), which loan is evidenced by a surplus note, shall have the right to appoint one-third (1/3) of the Directors. When the surplus note is paid in full, the Lender’s right to appoint a Director (or Directors) will expire.
3. Prior to the Corporation’s Annual Meeting of the Members 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 of each current Director considered for nomination to an additional term.

4. Recommendations for Director nominees may be received from members of the Board of Directors, from insured-owners of the Corporation, or from any other source.
5. The qualifications of Director nominees shall be evaluated in accordance with the criteria set forth in these Governance Standards.
6. All Directors nominated for service shall stand for election at the Corporation's Annual Meeting of the Members, in accordance with the Bylaws.

C. Director Orientation and Continuing Education

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

Each new director shall receive a board orientation book, which shall include at a minimum:

1. Overview of the Corporation (plan of operation, financial highlights, territory of operation)
2. The Corporation's Certificate of Authority, Articles of Incorporation and Bylaws
3. Ownership and organizational structure
4. Overview of the roles of the Corporation's contracted service providers
5. Management team biographical and compensation information
6. Financial statements (NAIC statutory filings and annual audit)
7. Regulatory environment information
8. Code of Business Conduct and Ethics of the Corporation
9. Written Governance Standards of the Corporation
10. Audit Committee Charter
11. Director listing and contact information

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 notify Directors of appropriate continuing education opportunities, and oversee and periodically evaluate the Director orientation and continuing education programs.

D. Ethics and Conflicts of Interest

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

A conflict of interest exists when a person's own interests interfere in any way with the interests of the Corporation. Directors are expected to avoid conflicts of interest. If a conflict of interest is presented, or there is a reasonable possibility that even the appearance of a conflict of interest may be presented by a particular circumstance, that Director is expected to promptly disclose the relevant facts to the Board of Directors. While Directors may make use of the annual conflict of interest statement process in order to disclose a potential conflict of interest, completion of a conflict of interest statement during a given calendar year does not excuse the obligation to disclose any conflicts arising at a later point during that year.

E. Director Compensation

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

F. Board Performance Evaluations

The Board of Directors will review the performance of the individual Directors, the Board of Directors as a whole, and any Committee(s) of the Board on an annual basis and will make such recommendations as may be desirable to improve the performance of each of them. These self-assessments will include consideration of the Board of Directors' committee structure.

G. Board Responsibilities and Powers

The Board of Directors is responsible for overseeing the policies, strategies, operations, and management of the Corporation. All corporate powers shall be exercised by, or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors. The Board collectively, and each Director individually, is responsible for the following:

1. Encouraging a corporate-wide culture of ethical behavior and legal compliance.
2. Monitoring and, where appropriate, approving or disapproving fundamental financial and business strategies and corporate actions.
3. Reviewing assessments of the major risks facing the Corporation – and reviewing options for their mitigation and management.

4. Approving the investment of the Corporation'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.
5. Formulating and maintaining the Corporation's governance standards.
6. Reviewing and approving or disapproving material transactions outside of the ordinary course of business.
7. Recommending and nominating candidates to the Board of Directors.
8. 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 in the best interests of the Corporation. In discharging this obligation, each Director is entitled to rely upon (1) any Board Committee of which the Director is not a member if the Director reasonably believes the committee merits confidence, (2) the Corporation's officers and employees whom the Director believes are reliable and competent in the matters presented, and (3) legal counsel, public accountants and other outside advisors the Director reasonably believes are reliable and competent in the matters presented. Each Director of the Corporation is expected to spend the time and effort necessary to properly discharge the Director's responsibilities.

H. Committees

In accordance with the Bylaws, the Board of Directors has flexibility to form new Committees and to restructure or disband existing Committees.

Committees shall have a charter approved by that committee and by the Board of Directors. The charter for each Committee will define the requirements for membership and ensure that appropriate independence is maintained.

I. Definition of Independence

The Corporation's Board of Directors shall consist of a majority of Independent Directors, as defined in the laws and regulations of the District of Columbia and as set forth herein:

1. No director qualifies as "independent" unless the Board of Directors affirmatively determines that the director has no "material relationship" with the Corporation. For this purpose, any person that is a direct or indirect owner of or subscriber in the Corporation – or is an officer, director and/or employee of such owner and insured, unless some other position of such officer, director or employee constitutes a "material relationship" – as contemplated under subdivision 3901(a)(4)(E)(ii) of the federal Liability Risk Retention Act, is considered to be "independent."

2. “Material relationship” means a relationship between a director and the risk retention group if the director, a member of his or her immediate family, or any business with which such director is affiliated:
- (1) In any twelve (12)-month period, receives compensation or payment of any other item of value from the risk retention group or a consultant or service provider to the risk retention group in an amount greater than or equal to five percent (5%) of the risk retention group’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 (1) year after his/her compensation from the risk retention group falls below the threshold established in this section, as applicable;
 - (2) Is affiliated with or employed in a professional capacity by a present or former internal or external auditor of the risk retention group. Such material relationship shall continue for one year after the end of the affiliation, employment or auditing relationship ends; or
 - (3) Is employed as an executive officer of another company where any of the risk retention group’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 Board of Directors shall annually review compliance with the standards of independence set forth above, and maintain a record of such determinations which shall be provided to the Commissioner of the District of Columbia Department of Insurance, Securities and Banking (“DISB”) promptly upon request.

J. Access to Senior Management and Employees

The Board should serve as a resource for senior management and the Corporation’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 Corporation as may be necessary and appropriate for Directors to serve the best interests of the Corporation.

K. 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 Corporation.

L. Independent Auditors

The Board, through the Audit Committee (or, if elected by the Board and permitted by the Commissioner of DISB, by the Board acting as the Audit Committee), shall engage an independent auditor to audit the Corporation's financial statements, to review internal controls over the Corporation's financial reporting, examine the amounts and disclosures in the financial statements, assess the accounting principles and significant estimates made by the Corporation's management, and evaluate the Corporation's overall financial statement presentation, as further set forth in the Audit Committee Charter.

M. Service Provider Contracts

The term of any material service provider contract with the Corporation shall not exceed 5 years. Any such contract, or its renewal, shall require the approval of the majority of the Corporation's independent directors. The Corporation'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 annually under such contract is greater than or equal to either five percent (5%) of the Corporation's annual gross written premium or two percent (2%) of its surplus, whichever is greater.

1. All agreements with service providers shall be in the best interests of the Corporation.
2. The Corporation shall not enter into any material service provider contract unless the Corporation has notified the Commissioner of DISB of its intention to enter into such a transaction at least 30 days prior to the effective date and the Commissioner of DISB has not disapproved it within 30 days after such notice.
3. 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 DISB.
4. 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 Corporation retains to defend claims, unless the amount of fees paid to such lawyers are "material" as defined above.

N. Disclosure Regarding Corporate Governance

These Governance Standards, the Corporate Governance Policy, the Audit Committee Charter, and the Bylaws of the Corporation shall be made readily available to the Members of the Corporation.

Adopted by the Board of Directors October 16, 2017