

NLADA MUTUAL INSURANCE CO.,

A Risk Retention Group

GOVERNANCE STANDARDS

1. Introduction

The Board of Directors of NLADA Mutual Insurance Co., A Risk Retention Group (the “Company”) has adopted these Governance Standards to promote effective governance of the Company. 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 Company and comply with the laws of the District of Columbia.

2. Process for Electing and Appointing Directors

As provided by the Company’s Bylaws, the Company 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 Executive Committee, sitting as a nominating committee, 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.

Minnesota Lawyers Mutual Insurance Company, Inc. (“MLM”), as lender to the Company of its initial surplus, and NLADA Service Corporation (“NSC”), which is a wholly-owned subsidiary of the National Legal Aid & Defender Association (“NLADA”), together have the right to appoint up to one-third up to (1/3) of the Directors of the Company. MLM’s right to appoint Directors will expire when the Company pays in full the loan made by MLM.

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 (competencies are defined as knowledge, values, skills and abilities):

- Industry knowledge
- Accounting and finance
- Business judgment
- Management/administration

- Regulatory compliance
- Risk management
- Leadership/vision
- Knowledge of the customer base, i.e., current and potential NLADA members: their work, values and insurance needs
- Value justice, fairness, diversity, equity and inclusion

Subject to any waiver that may be granted by the Commissioner of the District of Columbia Department of Insurance, Securities and Banking (the “Commissioner”), 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 the law of the District of Columbia. The Board of Directors shall maintain a record of its determinations and shall report its determinations to the Commissioner annually.

4. Director Duties and Responsibilities

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

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

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

5. Access to Management and Independent Advisors

Directors shall have direct access to the Company’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 Company.

6. Director Compensation

As determined by the Board of Directors and consistent with the Bylaws, directors may receive reasonable compensation for their services. Directors will be reimbursed for reasonable travel and other expenses incurred to attend Board of Directors and Committee meetings or otherwise incurred to fulfill their duties as Directors.

7. Director Orientation and Continuing Education

New Directors will receive appropriate orientation materials, including the Company’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 industry conferences, webinars or seminars to further their knowledge and understanding of the Company's business and shall stay informed about legislative, regulatory and other developments related to risk retention groups, the legal profession and the professional liability insurance industry.

8. Policies and Procedures for Management Succession

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

9. 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. Board self-evaluations shall be conducted and reviewed on an annual basis, or such other basis permitted by the Commissioner.

10. Service Provider Contracts

The following requirements shall apply to all material service provider contracts:

- The term of any material service provider contract with the Company shall not exceed five (5) years.
- Any material service provider contract, and its renewal, shall require the approval of a 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 contract at any time for cause after providing adequate notice pursuant to the terms of the contract.
- The Company shall not enter into any material service provider contract unless it has notified the Commissioner at least thirty (30) days prior to the proposed effective date of the contract, and the Commissioner has not disapproved the contract within such period.

A service provider contract shall be deemed material if the amount paid annually for the contract equals or exceeds five percent (5%) of the Company's annual gross written premium or two percent (2%) of its surplus, whichever is greater.

11. Disclosure of Governance Standards

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

12. Notification of Commissioner of Material Noncompliance

The Company's captive manager, president or chief executive officer shall promptly notify the Commissioner in writing if such person becomes aware of any material noncompliance with any governance standards applicable to the Company under District of Columbia law.

13. Relationship of Governance Standards to Bylaws

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

Adopted by the Board of Directors January 19, 2023