

Statement of United Educators' Governance Standards

From enterprise risk management to good governance, United Educators Insurance, a Reciprocal Risk Retention Group (UE) practices what it preaches. We've taken an industry-leading stance to governance practices. Following the passage of Sarbanes-Oxley in 2002, the UE Subscribers' Advisory Board (the Board) voluntarily adopted many of the governance standards promulgated under the new federal law, even though UE is not a publicly-traded corporation. In addition, UE complies with the Vermont regulations on governance standards for risk retention groups.

UE's Governance Committee is charged with developing and maintaining good governance practices for UE, and UE's Audit Committee, working with UE's Office of General Counsel and its Chief Risk Officer, is charged with ensuring compliance with those governance standards.

These governance standards include, but are not limited to:

(A) Process for election of directors by members

UE's Governance Committee is charged with identifying qualified individuals to serve as directors and committee members and evaluating the performance of directors. The Committee maintains and updates a matrix of potential director candidates based on recommendations from the Board and the President.

Each year, the Governance Committee recommends candidates to the Board to be placed on the proxy for the annual election by UE's members. New Board members are elected at the annual general meeting of UE's members.

(B) Director qualifications, responsibilities, and compensation

The Governance Committee maintains a list of director qualifications and responsibilities. In addition, the Governance Committee periodically commissions independent surveys of director compensation to guide the Board in setting director compensation.

(C) Director orientation and continuing education requirements

The Governance Committee oversees director orientation and continuing education requirements. UE has a Board Orientation Manual which is regularly updated with oversight from members of the Governance Committee. UE periodically conducts an educational session for its Board members. The topics are selected by the Governance Committee, with input from the full Board and UE's President and CEO.

(D) Board access to management and independent advisors

The Board has access to management. The Audit Committee has access to UE's independent audit firm and the independent actuary and is empowered to make decisions about hiring and firing the auditors and the independent actuary. The Investment Committee has access to UE's investment advisors.

(E) Management succession policies and procedures

UE is managed by its subsidiary, United Educators Management Company (UEMC), through delegated authority from its subsidiary, United Educators Management Company of Vermont. All staff including the CEO and the rest of the Executive Team, are employees of UEMC. Although UE's Board regularly ensures that a succession plan is in place for the CEO, the UEMC Compensation Committee, the AVP of Human Resources, and UE's Chief Risk Officer, all have responsibilities with respect to management succession planning.

UEMC maintains a matrix of the competencies, skills and qualities necessary for success for each position on the UE Executive Team. On the succession plan matrix for the CEO and each of the other Executive Team members, potential successors are identified and rated. The succession plan matrices, and the ratings for the potential successors, are reviewed and updated regularly. UEMC has a number of career development initiatives in place and members of the Executive Team are charged with the professional development of their potential successors.

(F) Policies and procedures providing for an annual performance evaluation of the board

On an annual basis, the Governance Committee administers a survey evaluating the performance of the Board. The results of the survey are reviewed by the Governance Committee and reported to the Board.

Copies of UE's [Rules and Regulations](#), [Standards and Formulas](#), [Code of Conduct](#), [Conflict of Interest Policy](#), and other governance documents are available on UE's website.