

## Summary of UE's Governance Standards

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From enterprise risk management (ERM) to good governance, United Educators (UE) practices what we preach. Most recently, we've taken an industry-leading stance to governance practices within the insurance industry. Following the passage of Sarbanes-Oxley in 2002, UE's Subscribers' Advisory Board (the Board) voluntarily adopted many of the governance standards promulgated under the new federal law, even though UE isn't a publicly traded corporation. In addition, UE complies with Vermont's regulations on governance standards for risk retention groups.

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

These governance standards include, but aren't limited to:

### **(A) Process for election of directors by members**

UE's Governance Committee is charged with identifying qualified people to serve as directors, officers, and committee members and with evaluating the performance of directors and officers. The Committee maintains and updates a matrix of potential director candidates. The Committee makes recommendations to the Board about qualified director and officer candidates.

In an annual President's Letter to the membership, UE's President and CEO urges members to submit names of qualified people to serve as directors of UE. Each year, the Governance Committee recommends candidates to the Board to be placed on the proxy for the annual election by UE's members. The proxies are counted and 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 book that is regularly updated with Governance Committee members' oversight. Each August, UE conducts an educational session for its Board members. 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 staff, including the CEO and the rest of the Executive Team, are employees of UE's subsidiary, United Educators Management Company (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, each have responsibilities with respect to the management succession planning.

UEMC maintains a matrix of the competencies, skills, and qualities necessary for success for each UE Executive Team position. 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**

Every two or three years, the Governance Committee performs a robust survey evaluating the Board's performance. In years in which the formal survey isn't performed, the Chair of the Board uses informal means to solicit feedback on the performance of the Board from the members of 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.