

HEALTHSTAR RISK RETENTION GROUP, LLC

GOVERNANCE STANDARDS

The Board of Managers of HealthStar Risk Retention Group, LLC, (the “Company”) has adopted these Governance Standards (“Governance Standards”) to promote appropriate governance of the Company for the benefit of its members, policyholders and other interested persons. To the extent of any conflict or inconsistency with the Company’s Operating Agreement, the Operating Agreement shall control.

Board Responsibilities

The Board of Managers is responsible for overseeing the policies, strategies, operations, and management of the Company. The Board collectively, and each Manager 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 Managers.
- 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 Managers in accordance with the Operating Agreement.
- Developing policies of management succession to ensure continuity of corporate operations.

The Board of Managers shall furthermore:

- Assure that all owners/insureds of the Company receive evidence of their ownership interest in the Company;
- Oversee the evaluation of the Company’s management, including but not limited to the performance of the captive manager, managing general underwriter, or other party or parties responsible for underwriting, determination of rates, collection of premium, adjusting or settling claims, or the preparation of financial statements;
- Annually review and approve amounts to be paid for all material service providers; and,

- Review and approve, at least annually:
 - the Company’s goals and objectives relevant to the compensation of officers and service providers;
 - the officers’ and service providers’ performance with respect to those goals and objectives; and,
 - the continued engagement of the officers and material service providers.

In all actions taken by the Board, the Managers 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 Manager is entitled to rely upon any Board Committees of which the Manager is not a member if the Manager reasonably believes the committee merits confidence, the Company’s officers and employees whom the Manager believes are reliable and competent in the matters presented, and legal counsel, public accountants and other outside advisors as to matters the Manager reasonably believes are reliable and competent in the matters presented. Each Manager of the Company is expected to spend the time and effort necessary to properly discharge the Manager’s responsibilities.

Definition of Independence

The Company’s Board of Managers shall consist of a majority of Independent Managers, as defined herein:

- No Manager qualifies as “independent” unless the Board of Managers affirmatively determines that the Manager has no “material relationship” with the Company. For this purpose, any person that is a direct or indirect owner of or subscriber in the Company (or is an officer, Manager, and/or employee of such an owner and insured, unless some other position of such officer, Manager, 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 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; that 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 or her compensation from the Company falls below the threshold.
 - (ii) A relationship with an auditor as follows: A Manager or a Manager’s immediate family member who is 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 end of the affiliation, employment or auditing relationship.
 - (iii) A relationship with a related entity as follows: A Manager or a Manager’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 is not independent until one year after the end of such service or the employment relationship.

The Board of Managers shall annually review compliance with the standards of independence set forth above, and shall disclose these determinations to the State of Alabama Commissioner of Insurance at least annually.

Manager Qualification Standards

The following qualifications are required to serve as a Manager 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 Managers

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

- Prior to the Company's Annual Meeting of the Members each year, the Board of Managers or any Committee designated by the Board for such purpose shall nominate the slate of Managers recommended for Board of Manager service. In determining the composition of the annual slate of Managers, the Board or any such Committee shall review the performance each current Manager considered for nomination to an additional term.
- Recommendations for Manager nominees may be received from members of the Board of Managers, from insured-owners of the Company or from any other source.
- The qualifications of Manager 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 Manager departure from the Board.
- All Managers nominated for service shall stand for election at the Company's Annual Meeting of the Members, in accordance with the Operating Agreement.

Manager Orientation and Continuing Education

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

Managers shall be encouraged to participate in continuing education programs. The Board of Managers or any Committee designated by the Board of Managers for such purpose shall make efforts to notify

Managers of appropriate continuing education opportunities and oversee and periodically evaluate the Manager orientation and continuing education programs.

Ethics and Conflicts of Interest

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

Manager Compensation

The Board of Managers of the Company shall determine the amount of Manager compensation, if any, in accordance with the Operating Agreement of the Company. In making such determination, the Board shall consider whether a Manager 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 Managers 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. Managers shall have full and open access to senior management, service providers and independent advisors of the Company as may be necessary and appropriate for Managers to serve the best interests of the Company.

Access to Outside Advisors

The Board of Managers 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 Managers 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, if permitted by the State of Alabama Commissioner of Insurance) by direct Board appointment and interface with the Auditor), 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; and, (3) the qualifications, independence and performance of the independent auditor and actuary;
- 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 waived by the State of Alabama Commissioner of Insurance, require the independent auditor to rotate the lead (or coordinating) audit partner having primary responsibility for the Company'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 Managers of the Company or required by the State of Alabama Commissioner of Insurance, the following requirements shall apply:

- The Audit Committee shall be composed of at least three (3) "independent" board members as defined in the Section entitled "Definition of Independence" of these Governance Standards. A non-independent board member may participate in the activities of the Audit Committee, if invited, but cannot be a member of such committee.
- 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 Managers of the Company.

Service Provider Contracts

The term of any material service provider contract with the Company shall not exceed five (5) years. Any such contract, or its renewal, shall require the approval of the majority of the Company's independent Managers. The Company's Board of Managers 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.
- The Company shall not enter into any material service contract provider contract unless the Company has notified the State of Alabama Commissioner of Insurance in writing of its intention to enter into such transaction at least thirty (30) days prior thereto and the State of Alabama Commissioner of Insurance has not disapproved of 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 State of Alabama Commissioner of Insurance.

- 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, determination of rates, collection of premium, adjusting and settling claims, and/or the preparation of financial statements. Any reference to ‘lawyers’ 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 of the Company shall be made readily available to the policyholders of the Company.

Adopted by the Board of Managers of HealthStar Risk Retention Group, LLC on March 10, 2025.