

OPHTHALMIC MUTUAL INSURANCE COMPANY, A RISK RETENTION GROUP (“OMIC”)

GOVERNANCE STANDARDS AND COMPLIANCE

Adopted by the Board of Directors February 13, 2016

I. Introduction. This Governance Standards and Compliance document explains how OMIC complies with the Vermont Corporate Governance Standards for Risk Retention Groups (“Vermont Standards”). It outlines OMIC’s compliance in various required areas, as well sets forth the specific set of Governance Standards that all risk retention groups must adopt. OMIC’s Board of Directors has reviewed, approved, and adopted these standards and is committed to meeting all of the requirements outlined herein. This document is available to OMIC’s members on OMIC’s website and upon request.

II. Definitions. The following are summaries of the definitions in the Vermont Standards and related statutes.

- A. *Independent Director.*** A director who does not have a material relationship with OMIC. (Insured owners are considered independent.) A material relationship exists when a director:
1. Receives in one year, compensation from OMIC or one of its service providers of at least 5% of OMIC’s gross written premium or 2% of OMIC’s surplus, whichever is greater.
 2. Is professionally affiliated with a current or former OMIC auditor.
 3. Is employed as an executive officer (e.g., CEO) of another company whose Board of Directors includes executive officers from OMIC.
- B. *Material Service Provider.*** A captive manager, auditor, accountant, actuary, investment advisor, lawyer, managing general underwriter, or claims adjustor whose aggregate annual contract fees are at least 5% of the RRG’s annual gross written premium or 2% of its surplus, whichever is greater.
- C. *Commissioner.*** The Vermont Commissioner of Financial Regulation.

III. General Requirements. The Board of Directors has adopted the following policies.

- A. *Director Independence.*** The Board must have a majority of independent directors. The Board determines annually whether a director is independent, and maintains a record of these determinations.
- B. *Material Service Providers.*** OMIC determines if a contract gives rise to a material service provider relationship. If such a relationship exists, the contract cannot exceed five year, must be terminable at any time for cause by the Board, and requires prior written approval of the Commissioner and approval of a majority of the independent directors.
- C. *Audit Committee.*** OMIC has an Audit Committee and Audit Committee Charter in compliance with the Vermont Standards.
- D. *Code of Business Conduct and Ethics.*** OMIC has a Code of Business Conduct and Ethics in compliance with the Vermont Standards.

- E. Reporting Violations.** OMIC's President/CEO must promptly notify the Commissioner in writing of any known material noncompliance with the Vermont Standards.

IV. Plan of Operation Policies. As part of OMIC's Plan of Operation, the Board of Directors has adopted the following policies.

- A. Evidence of Ownership.** OMIC provides evidence of ownership interest to each RRG member in its policy form.
- B. Evaluation of Management.** The Board meets with management three to four times a year, in-person, at Board and committee meetings. The Audit Committee evaluates the captive manager annually. The Board has delegated the day to day oversight and evaluation of management and the captive manager to the President/CEO. This includes the oversight and evaluation of claims staff and contracted adjustors.
- C. Approve Material Service Providers.** The Board reviews and approves the amount to be paid under any material service provider contracts.
- D. Goals, Objectives, and Performance.** The Board at least annually reviews and approves:
1. OMIC's **goals and objectives** relevant to the compensation of officers and material service providers. The Board has determined that such compensation must be in keeping with OMIC's Mission Statement and Value Commitment:

Mission Statement

The **mission** of OMIC is to serve the needs of members of the American Academy of Ophthalmology by providing high quality medical liability insurance products and services. OMIC strives to be a leader in the medical liability community and to promote quality ophthalmic care and patient safety.

Value Commitment

OMIC's **value commitment** is to provide its products and services at the lowest cost possible while maintaining its commitment to long-term stability, comprehensive coverage, and superior service.

2. The **performance** of officers and material service providers measured against these goals and objectives. The Board evaluates whether such performance is in furtherance of OMIC's Mission Statement and Value Commitment.
3. The continued **engagement** of officers and material service providers. The Board annually elects the Chair, Vice Chair, Treasurer, Secretary, and President of the company. The Board has also delegated to the President the authority to elect other officers, such as assistant treasurers, assistant secretaries, and vice presidents. If a contract gives rise to a material service provider relationship, the Board will annually review and approve the engagement.

V. Governance Standards. The Board of Directors has adopted the following Governance Standards.

- A. *Director Elections.*** OMIC's Bylaws, Section IV.2, describe the process by which the members of the company elect the Board of Directors.
- B. *Director Qualifications, Responsibilities, and Compensation.*** OMIC's Bylaws, Section IV.1, describe the qualifications for Directors. OMIC's **Recruitment Policy** is to nominate individuals to serve on the Board who can most appropriately and effectively govern the organization based on their interest, experience, ethics, dedication, and leadership potential. Special attention for committee members shall be given, in the following rank order, to:
- current Board and committee composition
 - subspecialty of ophthalmology
 - areas containing significant numbers of insureds
 - areas containing a high geographical percentage of insureds
 - areas containing a high number of potential insureds

OMIC's **Diversity Policy** states: The Board of Ophthalmic Mutual Insurance Company recognizes that this organization is best served by representation from the broadest possible diversity of member background, experience, and thoughts. As a policy, the Board is committed to diverse representation on the Board, its committees and staff without regard to race, religion, national origin, sexual orientation, age, gender, or physical disability.

OMIC's Bylaws, Section IV.13, describe the responsibilities of the Directors.

OMIC's Bylaws, Section IV.14, describe the compensation of Directors. When determining such compensation, OMIC engages a compensation consultant. The consultant makes recommendations to the Board based on an analysis of OMIC's compensation plan through comparison with peer companies and the specific duties and time commitment of the OMIC Directors.

- C. *Director Orientation and Education.*** OMIC provides an orientation for new Directors and committee members through a detailed Board and Committee Handbook, which describes the Company, the industry, and the roles and responsibilities of Directors and committee members. Directors and committee members meet with legal counsel to go over certain requirements and discuss any questions. OMIC sends Directors and committee members to various medical malpractice seminars and leadership camps. Experts may also present at Board meetings on various educational topics.
- D. *Board Access to Management and Advisors.*** The Board meets with management and the company's key advisors (actuaries, auditors, investment advisors) three to four times a year, in-person, at Board and committee meetings. In between meetings, the Board has access to management via telephone and email.
- E. *Management Succession.*** The Board has a management succession plan. It provides the policies and procedures for the succession of key managers, allowing for continuous and efficient operation of the company.

F. Board Performance Evaluation. The Board evaluates its performance annually. Directors complete an evaluation form assessing the performance of the Board as a whole and their individual contributions. The results are compiled and the Board meets in person to discuss them. The Board identifies areas for improvement and actions it can take to make such improvements.