

COUNTY REINSURANCE, LIMITED
BOARD OF DIRECTORS MEETING RECAP
May 14, 2025

The following recap is being provided for informational purposes. It is to provide highlights from Board Meetings to keep Members informed until the Minutes become available. This recap is not intended to replace the meeting minutes, which will remain the official record of the meeting.

Any questions regarding the content of this recap can be directed to Micheon Hollier, CRL Executive Director, at micheon.hollier@countyre.org or 336-354-4051.

REGULATORY MATTERS

Presentation of Final Vermont Exam Report as of December 31, 2022 —Vermont Department of Financial Regulation (VDFR)

- The Board of Directors unanimously approved the Final Vermont Exam Report as of December 31, 2022.
- The examination assesses regulatory compliance through a risk-focused approach, rather than based on financial performance.
- The VDFR Management Letter issued along with the examination report was discussed, and noted that the Management Letter provided recommendations regarding the CRL Property Plus Program. AIG Captive Solutions responded on CRL's behalf to the recommendations, and work continues to address the recommendations.

Presentation of Vermont Captive Annual Report as of 12/31/2024

- The Board of Directors unanimously approved the Vermont Captive Annual Report as of 12/31/24.
- The Vermont Captive Annual report is the tool by which the VDFR conducts annual solvency reviews and monitors CRL's performance. CRL received a 30-day extension for its March 15 filing deadline to incorporate updated actuarial data. Quarterly unaudited reports are submitted to the VDFR, including solvency ratio analyses.

FINANCIAL MATTERS

Presentation of 12/31/2024 Actuarial Study – Pinnacle Actuarial Resources

- The Board of Directors unanimously approved the 12/31/2024 Actuarial Reserve Study prepared by Pinnacle Actuarial Resources.
- Pinnacle Actuarial presented on the results of the reserve study, capital adequacy, reserving, and other loss analyses illustrating the various impacts of changes in the CRL programs and how those changes are helping to stabilize its financial position. Information was presented to illustrate the current CRL Member self-insured retention levels (SIRs), particularly in the Liability and Property programs, and noted these being too low, leading to overutilization of the CRL General Account layer of coverage and reliance on surplus. Adjusting SIRs and exploring per-occurrence limits are necessary steps to preserve CRL's financial integrity.
- Improvements in claims reporting, staffing, and systems, especially for law enforcement claims, were noted to enable CRL to capture data earlier and respond more effectively. This is critical to managing emerging risks and supporting actuarial accuracy.

Presentation of 12/31/2024 Financial Audit – Johnson Lambert, LLP

- The Board of Directors unanimously voted to accept the 12/31/2024 Financial Audit. The CRL Audit Committee recommended its acceptance.
- Johnson Lambert provided an overview and noted that CRL financials were prepared on a statutory basis of accounting, and CRL received an unqualified opinion. There were no material weaknesses or control deficiencies identified. No audit adjustments or uncorrected mistakes required.

Presentation of Investment Review & Outlook as of 3/31/2025 – Strategic Asset Alliance

- Strategic Asset Alliance provided an overview and noted that the focus remains on income generation, liquidity, and long-term stability. Portfolio aligned with liability studies to support current and future obligations. Tiered liquidity strategy ensures flexibility without sacrificing long-term returns. Total assets under management are \$563M, with \$15.6M is projected annual investment income. No action taken.

Presentation of CRL Portfolio Performance as of 3/31/2025 – Asset Allocation & Management Company, LLC

- AAM provided an overview and noted that CRL achieved over 5% yields through corporate bond spreads. The Q1-2025 Portfolio return was 1.94% year-to-date, and Investment income growth was +\$2M. No action taken.

Presentation of 3/31/2025 Interim Financial Statements – AIG Captive Solutions

- The Board unanimously approved the 3/31/2025 Interim Financial Statements. AIG provided an overview and noted the increase in surplus for both the CRL General Account and Property Plus Account, and the improvement in solvency ratios.

PROGRAM MATTERS

Reinsurance Market and Renewal Update —Marsh

- Marsh provided an overview of the current reinsurance market, focusing on the 2025 Property Reinsurance renewal. It was noted that total insured values (TIVs) for 2025 have decreased, thereby reducing CAT exposure to the program.
- Changes in covered exposures were noted: schools were removed from coverage effective July 1, 2024. Hospitals remain in the program along with power generation. However, power generation of 10MW is excluded, and diesel-power generation is restricted. Data centers were also noted as an emerging high-risk exposure. Endorsements to address unique or higher-risk exposures are being developed with specific underwriting and rating requirements, and additional information will be presented at a future meeting.
- Those terms that will remain in the 2025 Property Program include the 125% Margin Clause, the 1% Severe Convective Storm (SCS) deductible for those states identified as SCS states.
- Market specifications for 2025 were reviewed, including proposed changes to aggregate limits for Flood (non-SFHA) and Earthquake (non-New Madrid).
- Jurisdictional inspections and fees are under review due to legislative changes in MS and AL.
- All new member counties must complete an appraisal within the first year.

Consideration of CRL PFAS Exclusion Endorsement—Liability Program

- The Board of Directors unanimously approved the draft Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) Exclusion Endorsement to be issued with all CRL Liability policies effective July 1, 2025. This exclusion follows form to the Safety National (SNCC) exclusion that is now included in all SNCC liability policies.

Discussion of CRL Cyber Liability Coverage and Structure

- The Board of Directors discussed a gradual phase-out plan of the CRL Cyber Liability Coverage effective July 1, 2026. Members who place coverage elsewhere and would like to terminate their cyber coverage with CRL can do so and receive a prorated refund.