

Fortified Board Meeting Minutes
April 29th, 2024
Via Zoom

Attending: Lou Moran III, Denny Sanford, Donald Ray Pennington, Jon Jensen, Shaw Johnson III, Scott Lemon, Brant Gallaway. Also attending Joe Craven, CEO.

Art Glasgow not attending. Minutes prepared from Zoom Recording.

Welcome: Lou called the meeting to order and welcomed everyone.

Minutes:

Lou stated the minutes were sent to everyone prior to meeting and asked if anyone had any questions or discussion. Scott made the motion to accept the minutes and a second was made by Jay. With no other discussion, the minutes were accepted by unanimous vote.

Financials:

YTD through April 26, 2024. Lou indicated the financial statements were sent to everyone prior to the meeting. He indicated that we still have approximately \$1.5 million to be distributed. Lou also indicated that we were still getting in a few checks so that amount is approximate.

Jay had a question on the income and expense statement. He asked what the difference is between meeting expense and conference expense and how you decide what does into what category. Lou replied that he had created the extra category and the accountants are cleaning that up.

Lou added that we have some checks that will be going out the end of this week. Joe Craven added that we received Great American's profit-sharing check last week and that Guard is the only remaining outstanding check to be received. Joe stated that we now have developed a process that will get the profit sharing checks out a lot quicker next year. He greatly appreciated everyone's patience during this initial year distribution process.

Carrier/Broker/Other Service Update:

Lou stated that Tennessee has always had Bill Wilson helping us with Claim issues. He is now officially retired and no longer available to us. So, we wanted to discuss Chris Boggs possibly handling claims and underwriting issues going forward. Jon

and Shaw both know Chris. Joe stated that Chris has come to us with two plans to consider. The first one is to be available to answer technical questions that come from owners, advise on claims and act as an E & O advisor for our network. He would also present at least one webinar each quarter for our group and then speak at any alliance/network event that we have. He is offering this service to Fortified for a discounted rate of \$2,400 per month and the service would be open to all members. He also has some individual member consulting options that would be available at a rate of \$200 per hour. That is a 20% discount off his normal rate. Joe asked if we should go ahead and commit Fortified money for this benefit for the group, or should we endorse him as a partner and make his services available to the owners at the individual rate? Lou stated that it is good to have someone providing the service that Bill Wilso did to help with claims settlement, reducing loss reserves, etc.... Denny added that he felt we should make him a partner and let the individual agencies utilize him as needed for their benefit. DR agreed with Denny that is the best approach for now. Other comments were similar, and Scott added that he felt we should make him available to the group speaking to them and see who may be interested on an individual agency basis. Shaw recommended that we just make him a partner and make his services available to the owners but pass on the monthly retainer and fee of \$2,400. The group agreed to this course of action with Chris Boggs.

Am Wins:

Lou said that when we set up Fortified, we were going to keep any overrides from the E & S brokers to help offset the expenses of Fortified. AmWins have now told some agents they are paying an override and now some of the agents want to be paid the override. We set it up to use that money to offset expenses so that we could operate this on the lower profit-sharing splits that we approved. Denny stated that we need to stick to our guns on retaining the overrides to Fortified as we have already diverted some overrides directly to the agencies and if we can't cover expenses then we must adjust profit sharing % hold backs. Lou indicated that we would just restate our position to those agents that have asked about getting the overrides and let that be it.

Berkley Oil and Gas:

Joe stated he had been approached by Berkley and a company called NACO. They were used by the Arkansas agents and one of our West Virginia agents uses Berkley Oil and Gas and he was strongly in favor of them. Joe said that we have several owners that use them. He was wondering about our endorsing Berkley as

we have several other Berkley companies that we partner with currently. Denny made a motion that we endorse Berkley Oil and Gas. Lou seconded the motion. The consensus was that we add them as a new partner.

Lou stated that we have one profit sharing goof that we need to bring up. Joe stated that unfortunately the goof up was his. It involved Auto-Owners and earned vs written premium and how the profit was paid. It resulted in some being paid less that deserved and others being paid more than deserved.

Unfortunately, some will get a call that they were overpaid and have to pay back a portion of what they received. He just wanted us all to know that. Lou stated that he though we should just tell everyone of the mistake and let them know that next year everyone would be paid on written premium. Jay felt like the mistake should be corrected. Denny agreed. There was a motion by Jay and a second by Denny to fix the problem so that everyone is paid what they are owed by the correct amount. The voice vote carried with no objections.

Texas Group:

Lou brought up there is a group in Texas headed by Mr. Scott West. He has been involved with the Big I nationally in several capacities and raised money out of Texas. This group is made up of 11 agents, and Lou included a fact sheet of their premiums, companies, loss ratio's etc... They have been running the group themselves and they are tired of running it themselves. They have talked with basically every group in the marketplace and have decided they want to be apart of Fortified. They are like us; they are managed by agents. Lou has talked with carriers about them, and this has been on for 9 months since last September. They produce \$726 million dollars of premium. The loss ratios are good, and they fit nicely with our carriers. They would like to come join us as the 4th LLC. They may grow by other agencies, but they are primarily younger principals. Lou also told them they would need to pay up the \$150,000 that our states paid in order to be a part of the group as a 4th state.

Scott asked what they perspective of the carriers would be. Lou indicated they were excited about this group joining us. They are progressive and growing agents that excite the carriers. Denny asked if there is any downside, and Lou stated you go from being a third owner to a 4th interest. Lou felt this to be an upside that we are growing and expanding. Brant asked about Safeco and how they felt about it. Lou laughed and stated we are on a different wavelength with Safeco right now. Lou said that he is in conversations with Safeco to pull us out of the Southern Region and make us one of the first national relationships. He thinks this will help

us greatly. Denny added that with Texas this will double our Safeco Volume and bring us to \$22 million. Shaw asked Lou to be specific and will this allow us to negotiate with Safeco. Lou replied that it will allow us to gain a floor, not a guarantee but a floor.

Scott asked what a merger like this makes our board look like going forward? Lou said that he thinks we offer them three seats just like us and our board goes from 9 to 12 members. Jon stated they have one employee. If we bring that person on how will this affect our ability to service our owners with the existing staff? Joe said that it depends on the new employee's skill set. Joe said that we must have a bookkeeper. If they have those skills, it will be perfect. Right now, I'm preparing to hire another Cover Desk employee that will help to free up our existing staff to do more with marketing and other needs. Joe stated to Jon that he has not really answered his question, but it all depends on the skillset.

Denny asked if the companies would make the profit sharing retroactive, and he said they would consider making it back to January 1. Denny said that he trusts your judgement on this and made a motion to accept the Texas group as a new state for Fortified. Brant Galloway made a second. The only discussion was by Jay who said we need to verify first quarter losses before going retro on the profit sharing. DR then added that each state LLC must agree to this as he understands this. Lou added this is a great question. DR asked if this is a recommendation motion. Jay proposed a motion amendment that if needed we get the state LLC's vote to accept. Jon felt like each state LLC should vote since there is a delusion of the ownership of the combined group. Lou will check with the attorney before going forward. Lou called for the vote, and it passed unanimously.

Mid-Year Meeting:

Speakers: We have designed these speaker options to be more for the agency owners.

Chris Boggs – We spoke about Chris earlier in the board meeting. We could bring him in for 45 minutes and he could share what he could do for agencies. DR mentioned that if we are going to endorse him, we need to give him the opportunity to speak to our owners group. Lou asked Joe to see if he can attend and speak to the group.

Carey Wallace: Lou reached out to her and she does agency acquisitions and consulting activities. Lou extended an invitation to her to speak and she replied that her fee was \$2,500 plus travel expense. Lou replied to her that we do not

pay her a fee instead we put her in front of 80-85 agency owners that are potential clients. She was shocked. We can ask again if we want her to come.

David Tralka: Insurbank President is available to speak to us about services they offer including loans for agency acquisition or perpetuation.

Chris Cline – Executive Director of ACT that soon will be renamed and launched. This would be discussing agencies in the technology world and how to best serve your clients.

These are just some names we have and need your suggestions or guidance. All of these are suggested to assist agencies success. Brant suggested someone to talk and provide guidance in the non-compete world. Lou had a suggestion there from the Big I if we want that subject to be presented. Lou added that we need to nail these down in the next three weeks to make it all happen. A few other suggestions were proposed that Lou and Joe would review.

It was also brought up about Monday night. There is nothing planned. It was suggested that we have a beer and BBQ or Shrimp and Suds kind of event for the group. Maybe get a few sponsors to help and no one has to leave the venue. Joe will be checking on this.

With no other business the meeting was adjourned.