

Minutes from the Fortified Board Meeting

Omni Hotel – Nashville, TN

January 23rd, 2024

Attending: Lou Moran III, Donald Ray Pennington, Jon Jensen, Brand Gallaway, Scott Lemon, Shaw Johnson III, Art Glasgow Jay Reynolds, and Denny Sanford. Also attending Joe Craven, CEO.

Welcome and Minutes: Lou welcomed everyone to the board meeting, following the conclusion of our annual Fortified meeting. It was deemed a success with lots of positive feedback. Lou indicated that everyone had a copy of the minutes prepared by Art Glasgow. He asked for any comments, questions or changes. There was none and a motion to approve was offered by Jon and a second by Scott. The motion to approve the minutes passed unanimously.

Financials: The financials as of December 31 were included with the minutes and the agenda. Joe asked for an electronic copy to be sent so that he could add them to the portal. The financials were also attached to the agenda. And they were unaudited. After discussing items that needed cleaning up for expense classification, Lou asked if the board wanted a full audit for 2023. Most remarks tended to just be a review, that a full audit was not needed. Jon asked about the review and how much was the cost. Lou indicated that a review is included in our monthly cost. He was not sure about the cost of a full audit, but thought it was approximately \$5,000. A suggestion was made that a full audit now might cost us less in the long run than putting it off a year or two and then having to go back multiple years to obtain accurate numbers.

Jay asked about the cost of the conference this year and would our loss be less. Joe was not sure of the exact numbers as they still had income and expenses coming in but did indicate we had more in sponsorships this year, which should help. The attendance was down some from last year, so not sure the offset there. Joe did not think that we would be at break even though. Lou estimated that it would probably cost us \$40,000 to \$45,000. Denny brought up the spousal rate and thought an adjustment was in order as spouses did not participate in much of the activities and meals of the conference. Joe said that was an item on the agenda and Lou suggested that we stick with the financials right now and bring it up later.

Denny also suggested that we specify the items on the audit as they will only do what you ask them to do. Lou added accountants will do as little or as much as requested. Jon commented that it might be good to go ahead and get a full audit done just to make sure that everything is

covered properly. The question was asked if we share the financials with the owners, and Shaw commented that we must share the financials. Lou agreed and said that when they are finalized the financials will be posted to the portal for their review. Jay said that he was a little taken back on the meeting this morning that we did not have any financial information to present to the owners saying how much we made or lost during our first year. He also said that we should be presenting how much we made with Auto-Owners, Travelers, etc.... Lou responded that we are just now getting the information in from the company partners, so we did not have all of it to present. Joe replied that some of the early reports are in the portal, but he should have had information to report to the owners group. Jay felt like many of the owners expected this today. Lou suggested that when it is complete, we can send out a secure email with all the information. Jay said that it was just a suggestion going forward. Lou said that will not be a problem and will make that a priority. Joe said that he could change the portal to make the financials available to the owners going forward and Denny replied that would be a positive change. He also added that it would be a good way to communicate the status of the startup cost and how it affected our financials in the first year.

There is also the budget for 2024. Shaw brought up about the cost of the meeting to the organization and if we have another meeting with this type of loss, it will be a real negative to our bottom line. Compared to last year, we lost \$311,00 dollars in meeting costs last year. If you cut that down to one meeting and reduce the loss by half, we are then in a profit situation instead of a loss. Shaw asked if everyone understood that. He added that makes good business sense to me. Jay agreed but said that he thinks we need two meetings, but it doesn't have to either be a "dog and pony show"! One can be an owner only meeting. It can be smaller and provide more information to the owners.

Art added that should reduce our costs enough to significantly offset that loss that we incurred last year. Shaw added that it was also a significant expense for the agencies as they had several South Group associates there as did many other agencies. Most comments indicated the meeting was very worthwhile, but somewhat expensive. Denny added that it may also become tougher to get company sponsorships if we have two large meetings. Lou said that if we have an owner only meeting, then we invite only one or two company executives and their party to the meeting. Then the CEO can speak to a smaller group. Joe added that it is not easy hitting the company partners twice for a sponsorship during a year's time. He also made the point that Nashville is extremely expensive and that we could go to another place that would be much less expensive, but we are locked in for two more years. Following the expiration of our contract we could go somewhere else and hopefully get better value. DR asked if we are contracted in for two years on this week each year? Lou said that it is for this week. The cost of getting out of the contract is significant, but wanted everyone to keep in mind that the room costs are a big part of the cost and that we must guarantee that. Denny added that we never lost money in past years at Ross Bridge as it is a fraction of the cost. Joe said that we basically broke even this past fall. Lou liked the idea of an owners only meeting. Jay asked if we are locked in at Ross Bridge and Lou replied just one year. Scott asked about 2024 and how much we should make for the

year. Lou pointed out the profit budgeted is \$52,000 that was approved. After the profit sharing starts arriving, we will have a clearer picture. Shaw asked about how we offset the costs of the rising marketing department. Lou indicated that would be offset by the company/broker overrides dues and contingencies that we are paid. It was again brought up about the food cost and other things last year that really were expensive as we were trying to make a statement!

Joe stated that he is planning to survey the owners and the carriers/brokers about the conference. Any input is welcomed as far as to what to ask them in the survey.

There was more discussion about our projected revenues for this year and expenses, with most agreeing that our projections were conservative and that we would be fine with our cash flow. It was also added that if we had increased our dues this last year, it would have been closer to breaking even. Also, it was generally agreed that we need to have a full audit so that we can be totally transparent and build trust with the newer owners even though we all trust one another.

Markets: Shaw brought up about Auto-Owners and the need that Mississippi has for the state and for the agents. Jay said that he talked with some of the AO people, and they did not think there was enough business in Mississippi to warrant the costs of coming into the state. Lou indicated that he and Ronnie Tubertini had talked about it and they are planning a trip for 5-6 to go to Lansing and make our case for them to come to Mississippi. Other companies were discussed as potential markets for Mississippi, including Penn National and Frankenmuth.

Joe updated us on the markets and our 2023 results to date. He announced they are all on the portal and are up to date. Lou indicated that we need to “pretty up” the presentation on the portal and not just use excel spreadsheets. Joe replied that he was not a pretty guy, but he had a marketing person that could help with the presentation. The numbers were for the 3rd quarter for all the companies and only a few for the 4th quarter. Lou suggested that we send out an email and make sure that we have all the agency codes and that we cross check with the carriers as they have omitted codes in the past that add up to a significant amount of money.

It was asked about Safeco and what their status is. Is there a possibility of negotiating any type of guarantee. Joe said yes that we must get in front of Lee Allison to have that discussion. Several board members indicated that every year they adjust the loss ratio and make it impossible to earn profit sharing. This was a general concern that needs addressing. No other questions about the company results.

Joe then brought up about new companies for discussion. We were approached by Servasurity. They underwrite bonds differently and look at things outside the box. They also review the contracts. Joe asked if there was any need to go further with them. There were no positive responses. Lou brought up about credit card payments/ACH and the increased charges that come from Epay. Now IPFS is now offering a much lower charge for the same service and recommend that we move to IPFS for this service. We can even add to the fee on the agency level and collect more fee income. Brant made a motion to endorse IPFS and allow us to add a fee for the ACH and debit credit cards. Jon added a second and the vote was unanimously

passed. A fee was proposed for IPFS to pay Fortified and after some discussion. There was much confusion about how much could go to Fortified, how much to the states and how much to the agents. It was endorsed by the board to use IPFS. Joe was to get with IPFS and clarify the percentage that could go to the state and how much could go to the ATM Board before going forward.

Shaw asked about State Auto Commercial Profit sharing. Joe indicated this will be the last year for them as it will all be rolling to Liberty.

Cowbell: They are a cyber monoline company that does business online. They pay 12% commission and pay our agents 15%. They are also willing to pay us a 1% override. Jay asked if they were in all our states, Joe replied yes. Art stated that many agents are already using them. Lou added that we need to access the E & S side of Cowbell as they will write Cyber without MFA. Cowbell was a yes to proceed.

Shaw brought up about the lock ins for 2024 and how we are going to go about making the decisions of lock or no lock. Lou said that he felt like we must look at each company's situation before you decide to lock or not to lock the profit sharing. Joe reminded that he sent out the information to the owners and each agency got a vote to lock or not. Denny would like to look at the profit as we enter the 4th quarter with each carrier to see how much in loss we can use absorb and still be less than the lock in fee. Lou said we want to negotiate the lock in fees and or put in a floor. He indicated that we are getting closer to having a floor with most carriers.

Shaw also asked if we will be able to get the profit sharing funds to the agency quicker than SecureRisk did each year. Lou said that we would be faster. It would help his office if they could bunch 3-4 checks to send out once a week or so.

One last thing, Joe indicated the board had asked him to do a survey of the agency management systems used by the owners. Joe has had discussions with Vertafore and Applied to discuss discounts. Lou recommended that we clean up the results of the survey and provide it to the owners. There was a discussion about the Partner system and other systems and what they provided.

Arkansas: Denny brought the Board up to speed on the Arkansas group 1Source, they are coming into Alabama, but if things progress during 2024 then we will consider making them a partner, another state. Denny had recommended to them they need to become acclimated to Fortified and how we do things first. Jay added the Arkansas group has 10-12 agencies they want to target to grow their network in Arkansas and look to become a state partner in ATM when they become larger and more acclimated.

Fall Meeting: Lou recognized Denny's request to add the spouses. Lou added this is not an issue. Lou asked if we wanted this year to begin moving to an owner only meeting. Art asked if this would affect how much the Board must pay for the rooms etc. Lou replied that we would need to get with Jeff to check that out. Lou asked if this is what we wanted to do..... smaller

group or owners only. Maybe invite one or two company executives. Lou added that Rob Berley would like to come. He could not come this weekend. Denny commented that he would probably rather address an owner only meeting. Discussion was for other times, shorter duration and other locations. 2026 is when we can make changes, as we are fixed for 2025. Lou asked if we want to make this year's fall meeting an owner only meeting. Shaw recommended that we get the costs and then decide from there which is the best meeting approach. Lou brought it up again and the group agreed to the fall meeting being owner only.

Lou also asked about the minutes being posted on the portal. He wants transparency, but there is the concern that information gets out and back to the carriers that doesn't need to be shared. It was agreed the minutes need to be locked down to the owners and marked Confidential!

Scott asked Joe about how he communicates through email and who gets them. Joe said that he has general email that included agency personnel and he has an owner only email.

Lou asked for any other new or old business. Denny asked for the minutes to be sent out quickly so that he can remember the meeting and discussion better. Art indicated that he would get them out as soon as possible. Lou then asked if Joe could exit the meeting and allow the Board to enter an executive session.

Executive Session: These minutes are private as employee matters were discussed and will not be published.

The Board adjourned.