

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: December 17, 2025
10:00 a.m.**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00a.m. on December 17, 2025, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Holden, Vice-Chair Lay, Mayor Hartman, Blake Walley, and Commissioner Tharpe.

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; George Dalton, Executive Vice President; Halie Gallik, Board Secretary/ Director of Underwriting; Celeste Taylor, Director of Administration & Human Resources; Elisha Hodge, Director of Legal & Member Services; Allen Dean, IT Manager, Jason Dodson, Assistant IT Manager, Amber Turner, Communications and Research Specialist, and Janine Helton, Assistant Director of Underwriting.

Also Present: Russ Farrar, Farrar, Bates, & Berexa; Laura Hight, Farrar, Bates, & Berexa; Anthony Haynes, TML; Michele Fassbender, Arthur J. Gallagher; Bill Kelso LBMC.

Vice-Chairman Lay called the meeting to order.

Roll call was taken. Quorum was established with five of nine Board of Directors members present. Jeannie Anderson and Mayor Gooch were not present, but listened via conference call. Mayor McTizic and Mayor Stover were not present.

Citizen Comments – no one spoke.

I. Chairperson of the Board Nominated and Elected

Commissioner Tharpe nominated Mayor Holden as Chairperson of the Board.

Mayor Hartman made a motion to cease nominations.

Nomination of Mayor Holden as Chairperson of the Board passed unanimously.

II. Approval of Minutes

a. Board Meeting of September 17, 2025

Motion made by Vice-Chair Lay to approve the minutes of September 17, 2025 seconded by Commissioner Tharpe. **MOTION PASSED UNANIMOUSLY**

III. Audit Report

Amanda Shrum - Bill Kelso with LBMC will present the audit report.

Bill Kelso - Thank you all for the time this morning. I'll be brief because you have important work here to do today. I will tell you two things. There's two reports in your package. The first one is required communications and it will tell you that everything was clean and there are no issues and nothing to report it there. In the financial statements, I would like to very briefly point out two things. One, our audit report is on pages one through three. It's an unqualified opinion, it's the one we're looking for, it is what is necessary. We made one change in the current year at the request of the state, and I want to point that out. If you look on page 12, historically Public Entity Partners has reported our investment earnings as an element of operating income. That's for I think Amanda, we went back and did some research as long as we can go back and find reports that have been presented and has not been questioned in at least our tenure, from the state. But when you look at the guidance for what you're doing, in order to report those as operating income revenues, it should be your primary business. So typically, those who would report those there would be investment funds, investment companies and the like or mutual funds, different things. And so, we have moved the investment income down the page to the non-operating income section. You'll see the \$12.9 million dollars. It does not change net position or anything, it will change the operating income each year because that's with the investment earnings, that's traditionally a pretty good number. It was requested from the state to consider that change and we didn't have an objection so we made that reclassification. Otherwise, reports would be consistent with what you see in the past. I will tell you that briefly I looked at your board minutes that you just approved and the numbers that Amanda presented to you back in September, nothing changed even by a rounding. We did have one new adoption that was a very small number, but it didn't change enough to even change the level of rounding that she had reported to you. I'll be glad to answer any questions that you that you guys have.

Chairman Holden - Any questions?

Motion made by Vice-Chair Lay to accept Audit Report seconded by Commissioner Tharpe.
MOTION PASSED UNANIMOUSLY

IV. Financial reports

a. Financial Statements – 9/30/25

Amanda Shrum - So we are under Tab 2. We're going to start with the statement of revenues, expenses and changes in net income. Bill kind of touched on the main change that you're going to see basically moving the investment income down to under the operating income. It's just really a reclassification. It's not going to change the numbers in any way, but we also presented the comparative from last year in that same format. So, you can kind of see where we would have been last year had we used the same presentation.

As of September 30th, net earned premium is reported at \$21.1 million, up \$1.4 million from last year and total revenues were reported at \$21.2 million, also up \$1.4 million from total revenues last year. Total loss and loss adjustment expense of \$16.6 million showed an increase of \$1.6 million. Policy

acquisition cost of \$4 million increased approximately \$190,000. G & A expense of \$3 million remain pretty consistent with last year's \$3 million and total expenses were \$23.5 million, an increase of \$1.6 million from last year. That brings us to operating loss reported at \$2.3 million as of September 30th. However, after you add the investment income back in, our change in net position was actually up \$5.6 million, leaving an ending net position of \$140.7 million, which is up slightly from this time last year.

So, are there any questions on revenues and expenses? If not, we'll go over to the statement in net position, the combined cash and market values of investments were up \$3.4 million from last year. Total assets increased \$12.2, while total liabilities increased \$11.6 million. And if you have any questions, there weren't any huge changes, anything out of the ordinary. So, if you have any questions on that.

Motion made by Commissioner Tharpe to approve Financial Statements seconded by Vice-Chair Lay. MOTION PASSED UNANIMOUSLY

b. General & Administrative Budget Report

Amanda Shrum - If you'll turn over to the G & A expense, the budget to actual as of September 30th, is under budget by about \$545,000 of the \$3.5 million for the first quarter. All departments are operating within their budget. You will see under the Communications and Research that for first quarter it's showing that we are over budget. However, there is one payment for the BLR HR hero payment that we pay all up front for the year. So, they are actually operating within budget because as the year goes, it will catch up and even out.

Michael Fann - That's our online resource BLR with HR Hero, EHS Hero.

Amanda Shrum - We pay that one time at the beginning of the year. So that will catch up by year end. So, all departments are in good shape. Are there any questions?

Motion made by Blake Walley to approve General and Administrative budget report seconded by Mayor Hartman. MOTION PASSED UNANIMOUSLY

c. Investment Report – 11/30/25

Amanda Shrum – If you will turn over to the investment portfolio analysis, you do have the full investment report behind this. We're not going to go through all that unless you have any questions on anything. But, you will look as of November 30th we have unrealized losses of \$39.1 million, which if you remember at one time we were close to \$80 million, so we are tickled about that. They've improved just since year end about \$6.9 million. So, we are still moving in the right direction. The average coupon was 4.4. The average yield was down slightly to 4.9. Of course new funds that we are reinvesting at this point, the yields are coming down. Those 6 percents are hard to find now. Based on our portfolio, we expect yearly interest income of \$13.5 million. Which is an increase of about \$1 million since June 30th. As of Monday, the market did change slightly. We were at around \$42.2 million unrealized losses as of the run on Monday. So, if anyone has any questions on that?

Motion made by Commissioner Tharpe to approve Investment Report – 11/30/25 seconded by Blake Walley. MOTION PASSED UNANIMOUSLY

V. Coverage for 2026/2027 Fund Year

Halie Gallik - Each year in December we have a discussion about coverage with the Board of Directors with understanding that in February final coverage changes would be brought back for approval. As we shared in years past when we evaluate coverage, we are looking for competitiveness in the marketplace. We're looking to make sure that the coverage is in line with our reinsurance partners, regulatory changes that might have passed in the year and then also making sure that it's in line with our rate structure.

As part of that, the presentation in your booklet goes through some of the items that have been studied over the past year after the last time the board considered coverage. The first item is something that you also saw last year, which is the proposed legislative change to the Tennessee Governmental Tort Liability Act, because if that goes through, there will be changes that will impact the underwriting department fairly significantly from potentially rates, but also our systems to make sure that we can accommodate those changes in the limits. So, we put that in there to make sure that the Board is aware that that will have a significant impact on underwriting operations.

We've also spent a significant amount of time studying our Cyber Extension. I think probably most of you are aware that local governments continue to be a target for ransomware and social engineering events. We have Privacy and Network Liability Coverage as well as an optional Cyber Extension that members can qualify for. They do have to have best practices in place in order to qualify for that coverage. Part of that evaluation that we've looked at is what limits are available in the marketplace as well as what qualifiers other carriers are using for similar cyber extensions. So, we hope to have additional information to bring back in February, but that is something that we hear from many members is a significant area for them. We have had certain grant programs with the state that members have had issues getting cyber limits and so, we know that it is an area of concern for local governments.

Under the Property Policy, we have looked at some of our automatic coverages, including Fine Arts discussions that have come up throughout the year and then one in particular related to Electronic Data Processing Equipment, Mobile Equipment and Building and Personal Property for how we cover fiber optic cables. Fiber optic cables are used frequently with traffic control systems. We have determined that in some cases we're not fully capturing the value of those fiber optic cables and so we're studying that to make sure that we have one specific place to cover it. And then on the Liability Policy we have been studying the Additional Insured Endorsement as well as jails and holding cells. We've seen that specifically over in West Tennessee requests for counties to utilize municipal jail facilities. Which is not an exposure we had typically written under our Law Enforcement Liability Policy. And so, we've had to do a lot of research on that particular area. And then the final one that's included in your booklet is looking at some of the limits that we use to automatically provide coverage within the policy period to members. For Auto Physical Damage, the number of endorsements that we process in any given year has doubled over the past five years and so we are looking at potential adjustments for those with the understanding we want to make sure that we fully evaluated the premium and the exposure if we modify these.

That's a summary of all of the areas that we've looked at, but we also always ask at this meeting if there's feedback from the board about some of these items or other areas where you would like to direct us to study and consider.

Chairman Holden - Anything from board members? Additional things to look at? This is discussion only information for us and we'll discuss it in February at the meeting and vote if we need to do that, correct? Any questions about this? OK, thank you very much. Next item on the agenda, Michael, you're up.

VI. Actuarial Study Briefing

Michael Fann - Just as a matter of information. As many of you know, we annually do a reserve study with our actuaries that's required by the state. That was done, and it's filed with the Department of Commerce and Insurance. And then the other two studies that we engage our actuaries in from time to time are our rate study and our capital adequacy study. This year we are finishing up a rate study with our actuaries. Amanda and her team would provide all the information and I think it's just about done. Should receive it if not this week, then next. So obviously when that occurs and I guess this is the third or fourth year in a row that we have done a rate study, which typically our rule of thumb is to do one every two to three years. But because of all of the uncertainty of the last five years, we want to make sure that our rates are where they need to be coming out initially of the COVID impact economically and then of the bond prices economically on our financials. So, we're expecting that anytime. Obviously, we will report back at the February meeting to this board with some recommendations as to what our rates, we feel like our rates need to be come July 1 for the new fund year.

The third actuarial study that we do is our capital adequacy study. Generally, we do that every three to five years. We have done that for two or three years in a row, again for the same reasons as we've done rates. We did not contract for one of those this year. So, we will use last year's report and apply the new rate information from our actuaries to that and that we will use that to bring in addition to rate recommendations in February. We will bring a dividend recommendation based upon our net position and capital adequacy. All that works together obviously for ultimately a dividend question and ultimately a decision. But anyway, those are wrapping up. We will be evaluating the rates and capital adequacy over the next couple of months, and we'll bring you a recommendation in February. I'll be happy to answer any questions or Amanda as well if anyone has any on those actuarial reports, anything at all.

VII - Contracts

As is our policy, any contracts that we are about to engage over \$50,000 we always bring to the board. We have two under tab four that are IT and communications-related contracts. First is the Atiba contract. This is a request from staff for an amount not to exceed \$250,000 for the development and launch of a new website and a claims analytics platform. So, this will be a multi-year engagement with Atiba and you've got the entire contract there. Hopefully you've had a chance to flip through it, but this comes as a recommendation from our IT and our risk services group and we would ask approval to sign that contract.

Chairman Holden - OK. Any questions of this contract with Atiba?

Commissioner Tharpe - Do you feel pretty safe with Atiba? Do you feel pretty comfortable with the services that you're going to get?

Michael Fann - Absolutely. I mean, I think our IT folks have vetted this extensively. Obviously, we are ready for a website upgrade and this comes with a pretty strong recommendation.

Motion made by Commissioner Tharpe to approve Atiba contract not to exceed \$250,000 seconded by Vice-Chair Lay. MOTION PASSED UNANIMOUSLY

Michael Fann – Thank you very much. The second, let's see, about halfway back is our FRSecure contract as you'll see in the board book on the summary, the annually conducted risk assessment, internal penetration tests and external penetration tests over the next three years. So, with those three functions, it is a three-year contract for a total not to exceed would like authority to sign this contract with it for a total not to exceed \$110,000. Again, this is for testing risk assessment to keep ourselves secure. We would ask for permission to sign this contract.

Motion made by Vice-Chair Lay to approve FRSecure contract not to exceed \$110,000 seconded by Commissioner Tharpe. MOTION PASSED UNANIMOUSLY

VII. PRS Acquisition Update

Michael Fann - The next item is an update on our PRS acquisition. As you know, we had a special meeting to authorize us to engage. We have been in that process. I do need to report for those of you that have not heard, our friend Jim Morrison did pass away the day after Thanksgiving, but we were obviously we were already in the in the throes of working with his representatives to purchase our claims operation and for those of you that are new, basically we are bringing a long standing claims operation which for more than 35 years has been a kind of a self-contained captive TVA. So, we were their only client, they were our only claims folks, but we've had a long-term contract for that acquisition. They put us on notice back in July and so we began the process then. Got approval from the board to engage a valuation company that has been done and matter of fact we are in agreement with PRS representatives, we're going to split the cost of that valuation. So, we agreed on a firm. They are doing that now. We anticipate for probably the first couple of weeks of January getting the number, or a range of numbers from that valuation group to purchase the claims operation and we continue to operate kind of business as usual with regard to our claims adjusters and claims supervisors. The communication has been great. Obviously, we miss Jim and his leadership, but that process is ongoing. Again, we should have a number, hopefully in early January. The trigger once he passed was a 90-day trigger for us to get an agreement with PRS. That will run somewhere around February 25th, which is 2 days before our next recommended scheduled meeting. Hopefully we'll get that number much earlier than that. If we do get it in January, we may need to call a special meeting to get approval on whatever that final number that we agreed with PRS representatives to purchase that company. So, I just need you to be aware of that. There's really no action to take today, but we're now just waiting on the valuation company PYA to come back with that evaluation and then we will, I'll communicate that number to you and then we'll decide how we want to get together and approve it. I guess there's a chance we could change our mind about our regularly scheduled February meeting, especially if the valuation takes toward the end of January, we may just simply move the regular scheduled meeting up a week to get it done before February 25th. But I will communicate that with the Chairman and the rest of you and we'll make that decision as we progress through January. Obviously, I don't want to ask you to have to come to Franklin an additional time unless we absolutely need to, but we'll work through that and obviously keep Jim's family and the staff over at PRS in your prayers because that's been a long-term relationship. Jim and I have worked together for over 35 years along with others here in the room. And so, it's hard to deal with loss and do a business transaction at the same time, but we're doing our best and we'll do the best we can for Public Entity Partners. So unless there's any questions, that's kind of where we are right now.

Chairman Holden - Any questions? All right, so next Tab 5 calendar events.

Michael Fann reviewed upcoming meetings and board continuing education opportunities

Motion made by Commissioner Tharpe to adjourn, seconded by Vice-Chair Lay. MOTION PASSED UNANIMOUSLY

John Holden, Chairman

Halie Gallik, Secretary