

**STICO MUTUAL INSURANCE COMPANY,
RISK RETENTION GROUP**

CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY

CODE OF CONDUCT

The Board of Directors of STICO expects ethical and businesslike conduct of itself and all Company Officers. This commitment includes the duty of care, loyalty and candor as well as the proper use of authority and appropriate decorum in group and individual behavior when acting as Directors or Officers.

Board Members and Company Officers will:

- Act in the best interests of, and fulfill their fiduciary obligations to, STICO members;
- Act honestly, fairly, ethically and with integrity;
- Conduct themselves in a professional, courteous and respectful manner;
- Comply with all applicable laws, rules and regulations;
- Act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated;
- Act in a manner to enhance and maintain the reputation of STICO;
- Disclose potential conflicts of interest that they may have regarding any matters that may come before the Board, and abstain from discussion and voting on any matter in which the Director or Officer has or may have a conflict of interest;
- Make available to and share with fellow Directors and Officers information as may be appropriate to ensure proper conduct and sound operation of STICO and its Board of Directors;
- Respect the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors and Officers, except when authorized or legally required to disclose such information; and
- Not use confidential information acquired in course of their service as Directors or Officers for their personal advantage.
- Not take for themselves any business opportunity within STICO's line of business that could benefit the Company, unless the Company first declines the opportunity.

A Director or Officer who has concerns regarding compliance with this Code should raise those concerns with the Chairman of the Board (or in the case of an Officer, with his or her supervisor or the Chairman of the Board), who will determine what action shall be taken to deal with the concern. In the extremely unlikely event that a waiver of this Code for a Director or Officer would be in the best interest of the Company, it must be approved by the Directors.

Directors and Officers shall be familiar with the Company's conflict of interest disclosure policy and shall complete annually the Company's conflict of interest disclosure form.

Directors and Officers will deal with outside entities or individuals, with members, with Company management and with each other in a manner reflecting respect, fair play, high ethical standards and straightforward communications.

Directors and Officers shall be committed to a business environment that shall be free from discrimination and harassment, whether based upon race, religion, sex or other personal characteristics protected by law.

Directors may not attempt to exercise individual authority over the Company except as explicitly set forth in the Company's By-laws or by specific Board action.

Director interaction with the President or with Company management must recognize the lack of authority in any individual director or group of directors except as noted above.

Director interaction with the public, press, members, or other entities must recognize the same limitations and the similar inability of any director or directors to speak for the Board. In the event of media inquiries, the Board shall speak through one agreed-upon spokesperson.

With the exception of the President and the Vermont resident Director, Directors will tender, or will be deemed to have tendered, their written resignation at any time that they cease to be an active, full-time, senior management employee of a member and/or any time that they are no longer officially designated as the representative of the member at which they are employed. Said designation is the sole purview of the senior executive officer or Chairman of the member represented.

In addition, Directors and Officers will adhere to the following Conflict of Interest Policy.

CONFLICT OF INTEREST POLICY

1. Gifts.

The Board and Officers shall comply with the provisions of Section 11 of Vermont Department of Banking, Insurance, Securities and Health Care Administration Regulation 81-2, which provides that:

No director, officer or employee of a company shall, except on behalf of the company, accept, or be the beneficiary of, any fee, brokerage, gift, or other emolument because of any investment, loan, deposit, purchase, sale, payment or exchange made by or for the company but such person may receive reasonable compensation for necessary services rendered to the company in his or her usual private, professional or business capacity.

Any profit or gain received by or on behalf of any person in violation of this section shall inure to and be recoverable by the company.

The Company views incidental benefits such as social outings and activities with current or potential service providers and other persons doing business with the Company as important activities conducted “on behalf of the Company” and therefore acceptable and consistent with the above provisions, subject to no further disclosure requirements.

2. Annual Disclosure Statement.

The Board shall collect a conflict of interest statement in the attached form from Officers, Directors and key employees each year, as required by Section 12 of Regulation 81-2, disclosing whether the individual has outside commitments, personal or otherwise, that would divert him or her from his or her duty to further the interests of the Corporation.

3. Conflicts Of Interest.

The Board hereby adopts the following conflict of interest policy, to ensure the efficient and disinterested management of the Company, but to recognize that directors, officers and key employees may also serve as officers, directors or employees of other insurance companies, and as owners, officers, directors or employees of the Company’s policyholder-insureds or affiliates thereof:

No director, officer or key employee of the Company shall have any outside commitments, personal or otherwise, that would divert him or her from his or her duty to further the interests of the Company. “Key employee “ shall be deemed to include any employee of the Company who exercises managerial and policy-making functions, whether or not such employee is an elected officer of the Company. Nothing in this conflict of interest policy, however, shall preclude or require disclosure of service as an officer, director or employee of another insurance company; or prevent any officer, director or key employee of the Company from participating in the determination of the premium, terms and conditions of insurance to be offered by the Company; or from otherwise participating in the management and operations of both of the Company and its policyholder-insureds or affiliates thereof; or require disclosure of such participation.

Each director, officer or key employee of the Company shall disclose, however, any situation that could create a conflict of interest between the Company and a policyholder with which a director, officer or key employee is employed or affiliated, including an actual or potential dispute involving handling of an incident or claim covered by the Company, or an actual or potential dispute involving a determination of whether or not an insurance policy provides coverage; in such event, the director, officer or key employee shall also follow the Recusal Policy.

4. Recusal Policy: Claims.

Board Policy: A Director shall disclose, and not participate in Board and claims committee discussions involving claims made by such Director’s current or former firm, when there is a coverage or defense-related actual or potential dispute. Other than appropriate communication of a statement of

coverage position or reservation of rights documentation, the Company's internal written analysis of any coverage or defense-related issues involved in such claims shall not be provided to the Director.

A. Internal Rationale:

1. A Director's duty to STICO as a Board member may differ from his/her duty to his/her firm as a policyholder or owner of STICO.
2. Claims Committee should freely discuss claim, including defense and coverage issues.
3. Claims Committee should treat all policyholder claims consistently, and avoid receiving communications on these claims not received on other policyholders' claims, to avoid even the appearance of impropriety.

Adopted April 26, 2011