

# Request for Proposal

For Banking and Investment Services

for the

Missouri Life and Health Insurance Guaranty Association

and the

Missouri Property and Casualty Insurance Guaranty  
Association

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Inquiries and Proposals should be directed to

Tamara Kopp  
Executive Director  
[tkopp@mo-iga.org](mailto:tkopp@mo-iga.org)

573-634-8455 extension 226

**Proposals are due by April 1, 2023.**

## General Information

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The Missouri Life and Health Insurance Guaranty Association (MLHIGA) and the Missouri Property and Casualty Insurance Guaranty Association (MPCIGA) are private associations created by Missouri statute to provide protection, within limits, to insureds, beneficiaries, and claimants who are disadvantaged due to the insolvency of a member insurance company.

There are two insurance guaranty associations in Missouri. They are jointly administered from one office as the Missouri Insurance Guaranty Associations (MIGA). However, they have separate and distinct responsibilities under their respective statutes. One association is responsible for insurance company insolvencies among the member [life and health](#) insurance companies, and the other association is responsible for insolvencies occurring among the member [property and casualty](#) insurance companies.

MIGA operates an insurance claims office for property and casualty and life and health claims including long term care claims from insolvent insurers in liquidation. MIGA assesses solvent insurers for funds to pay these claims.

The Associations are not state entities and therefore state mandated bid rules do not apply. Information concerning these organizations may be found at <http://www.mo-iga.org/>. Contact detail for additional information is reflected above.

## Financial Information

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MIGA maintains three main banking accounts reflected below with a typical balance:

- MLHIGA: administrative account \$50,000 and claims account \$1.5 million
- MPCIGA: one combined claims/administrative account \$1 million

MIGA deposits approximately 35-50 checks per month using Remote Deposit Capture. MIGA currently processes payments for long term care premiums. MIGA uploads a data file and collects premium from 92 people via ACH with premium totals of about \$126,500 annually.

MIGA carries out 98% of transactions electronically via ACH. In 2022, MIGA paid administrative expenses as follows:

- MLHIGA administrative-ACH 297 and EFT 483;
- MLHIGA claims account-ACH 480; and
- MPCIGA-losses and loss adjustment expenses 2626 ACHs for \$4 million.

Fifty or more incoming and outgoing wire transfers are completed annually.

MIGA maintains two letters of credit:

- MLHIGA \$5 million
- MPCIGA \$15 million

MIGA's current investment portfolio includes government securities:

- MLHIGA \$41.5 million
- MPCIGA \$87 million

A listing of MIGA's current portfolios is included as Exhibit A.

Financial statements can be reviewed at MIGA's website in its annual reports at <http://www.mo-iga.org/>.

## **Services Requested**

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The purpose of this RFP is to obtain the services of a company, firm, or offeror that can perform banking and investment management services.

To be considered for selection, the offeror must have at least the following qualifications.

- Be a federally or state-chartered institution qualified to act as a depository bank.
- Be a member of the Federal Reserve System and have access to all services.
- Be insured by the FDIC and the SIPC.
- Be able to initiate and receive Federal wires.
- Be capable of providing all the services identified within the RFP.

The services should include the following:

### **Banking**

#### **DEPOSIT SERVICES**

- Process deposits
- Process domestic wires received and sent by MIGA
- Image deposited items
- Provide remote e-deposit device and process
- Provide online access for deposit reconciliation including images of deposited items

#### **DISBURSEMENT SERVICES**

- Provide payee positive pay services with online transmission of check details
- Provide positive pay exception item review and correction online
- Provide online stop payment services

- Provide electronic archival of cleared checks (images of front and back)
- Provide online access to cashed check images
- Provide ability to download check and ACH detail

#### ELECTRONIC FUNDS TRANSFER

- Accept and send ACH transactions
- Provide ACH debit blocking services
- Provide a secure electronic method for authorization for wiring funds

#### PREMIUM PAYMENT CARD PROCESSING SERVICES

- Online card transaction capabilities
- Online card reporting services and monthly statements
- Ability to send payment data to our accounting software

#### REPORTING

- Provide monthly activity statements and reports electronically
- Allow MIGA employees with different levels of authorization to access the bank's online reporting system
- Provide a detailed monthly account analysis statement for each individual account and a consolidated statement showing charges for all account services

#### ADDITIONAL SERVICES

- Provide an overnight investment service (sweep) and/or interest-bearing account for excess cash balances in the demand deposit accounts
- Provide online balance reporting services
- Letters of Credit

The offeror may include any additional services they desire to offer, along with the cost involved. All such proposals may be accepted individually or collectively or rejected at MIGA's discretion. Each additional service will be evaluated based on its net benefit to MIGA.

#### **Investments**

Capital preservation with reasonable returns is the investment philosophy of MIGA. Cash flow is also important to provide ample liquidity allowing MIGA to pay claims.

#### MPCIGA

Investments are valued on a fair market basis. Investment income return for 2022 was \$464,813. This represents an annualized investment income rate of return of .99% for 2022.

## MLHIGA

Investments are valued on a fair market basis. Investment income return for 2022 was \$160,303. This represents an annualized investment income rate of return of .68% for 2022.

## Benchmarks

MIGA uses the following benchmarks to evaluate investment performance:

- ICE BOA 1-3 Yrs US Non-Bullet Agency
- ICE BOA 1-5 Yrs US Non-Bullet Agency
- Barclays US Agency Bond Index
- Barclays 1-5 Year Treasury Index
- 3-Month US T-Bill Rate

Alternative proposals may be submitted for investments on a brokerage or a management-based proposal. The proposal may include one or both alternatives.

## Brokerage Proposal

In this proposal, investment decisions will be made by the Executive Director upon recommendation by the offeror based on investment policies. The proposal must include a summary of commission rates for the purchase of securities.

## Management Proposal

In this proposal, investment decisions will be made by the offeror based on each association's investment policy. Offeror is free to submit a proposal to improve MIGA's rate of return. The proposal must include a schedule of management fees.

Investment policies can be reviewed at the end of this document as Exhibit B.

# Exhibit A

**MPCIGA as of 12/31/2022**

Issuer's Name	Coupon		Maturity Date	Trade Date	Cost	Par Value Current
	Rate					
UNITED STATES TREAS BILLS	0		1/19/2023	8/8/2022	197,476.93	200,000.00
UNITED STATES TREAS BILLS	0		2/9/2023	8/8/2022	197,063.93	200,000.00
UNITED STATES TREAS BILLS	0		7/13/2023	8/8/2022	194,331.38	200,000.00
UNITED STATES TREAS BILLS	0		3/9/2023	10/24/2022	394,391.05	400,000.00
UNITED STATES TREAS BILLS	0		2/14/2023	10/24/2022	395,395.43	400,000.00
UNITED STATES TREAS BILLS	0		4/20/2023	10/24/2022	392,045.23	400,000.00
UNITED STATES TREAS BILLS	0		1/17/2023	10/24/2022	396,735.90	400,000.00
UNITED STATES TREAS NTS	0.5		3/15/2023	8/8/2022	197,080.45	200,000.00
UNITED STATES TREAS NTS	0.25		4/15/2023	8/8/2022	196,308.30	200,000.00
UNITED STATES TREAS NTS	1.625		5/31/2023	8/8/2022	197,690.19	200,000.00
UNITED STATES TREAS NTS	0.25		6/15/2023	8/8/2022	195,271.91	200,000.00
UNITED STATES TREAS NTS	1.75		5/25/2023	10/24/2022	394,823.74	400,000.00
UNITED STATES TREAS NTS	1.375		6/30/2023	10/24/2022	392,405.01	400,000.00
UNITED STATES TREAS NTS	0.125		7/15/2023	10/24/2022	388,410.55	400,000.00
UNITED STATES TREAS NTS	1.375		8/31/2023	9/30/2022	195,157.62	200,000.00
FEDERAL FARM CR BKS	0.53		7/29/2025	10/27/2020	1,499,730.00	1,500,000.00
FEDERAL FARM CR BKS	0.6		11/24/2025	11/19/2020	11,499,425.00	11,500,000.00
FEDERAL FARM CR BKS	0.75		12/16/2026	12/14/2020	4,005,973.12	4,000,000.00
FEDERAL FARM CR BKS	0.89		1/26/2028	1/21/2021	7,002,067.80	7,000,000.00
FEDERAL HOME LN MTG CORP	0.55		9/30/2025	9/28/2020	5,999,820.00	6,000,000.00
FEDERAL HOME LN MTG CORP	0.65		10/22/2025	10/8/2020	3,000,720.00	3,000,000.00
FEDERAL HOME LN MTG CORP	0.55		10/29/2025	10/16/2020	4,999,850.00	5,000,000.00
FEDERAL HOME LN MTG CORP	0.62		12/1/2025	11/30/2020	4,500,000.00	4,500,000.00
FEDERAL HOME LN MTG CORP	0.625		12/17/2025	12/3/2020	1,401,540.00	1,400,000.00
FEDERAL HOME LOAN BANKS	0.52		12/30/2025	12/22/2020	10,003,985.60	10,000,000.00
FEDERAL HOME LOAN BANKS	0.58		1/28/2026	1/19/2021	4,001,593.56	4,000,000.00
FEDERAL HOME LOAN BANKS	0.835		2/23/2027	3/15/2021	4,841,200.00	4,900,000.00
FEDERAL HOME LOAN BANKS	1		7/28/2028	1/26/2021	5,500,000.00	5,500,000.00
FEDERAL HOME LOAN MORTGAGE CO	0.72		6/30/2025	6/19/2020	2,501,025.00	2,500,000.00
FEDERAL HOME LOAN MORTGAGE CO	0.55		10/15/2025	10/5/2020	3,000,000.00	3,000,000.00
FEDERAL NATL MTG ASSN	0.6		7/22/2025	7/14/2020	1,999,450.00	2,000,000.00
FEDERAL NATL MTG ASSN	0.6		8/18/2025	7/31/2020	4,999,925.00	5,000,000.00
FEDERAL NATL MTG ASSN	0.625		8/27/2025	8/21/2020	3,000,585.00	3,000,000.00
FEDERAL NATL MTG ASSN	0.625		8/27/2025	8/24/2020	4,000,980.00	4,000,000.00
FEDERAL NATL MTG ASSN	0.55		11/18/2025	11/5/2020	5,499,862.50	5,500,000.00
					<u>97,582,320.20</u>	<u>97,700,000.00</u>

**MLHIGA as of 12/31/2022**

Issuer's Name	Coupon			COST	Par Value - Current
	Rate	Maturity Date	Trade Date		
FEDERAL HOME LOAN BANKS	1.375	2/17/2023	6/28/2022	4,388,892.00	4,425,000.00
FEDERAL HOME LOAN BANKS	4.75	12/12/2023	12/9/2022	1,524,058.14	1,525,000.00
FEDERAL HOME LOAN BANKS	4.75	3/8/2024	12/9/2022	1,524,839.68	1,525,000.00
FEDERAL FARM CR BKS	0.53	7/29/2025	10/27/2020	999,820.00	1,000,000.00
FEDERAL FARM CR BKS	0.47	11/18/2024	2/17/2021	1,002,247.36	1,000,000.00
FEDERAL FARM CR BKS	0.6	11/24/2025	11/19/2020	1,499,925.00	1,500,000.00
FEDERAL FARM CR BKS	0.78	2/16/2027	2/17/2021	4,489,491.51	4,500,000.00
FEDERAL HOME LN MTG CORP	0.55	9/30/2025	9/28/2020	1,999,940.00	2,000,000.00
FEDERAL HOME LN MTG CORP	0.55	10/29/2025	10/16/2020	2,339,929.80	2,340,000.00
FEDERAL NATL MTG ASSN	0.6	8/18/2025	7/31/2020	999,985.00	1,000,000.00
FEDERAL HOME LOAN MORTGAGE	0.72	6/30/2025	6/19/2020	2,501,025.00	2,500,000.00
UNITED STATES TREAS BILLS	0	6/22/2023	12/21/2022	1,820,470.82	1,862,000.00
UNITED STATES TREAS NTS	1.375	9/30/2023	12/21/2022	1,813,703.36	1,857,000.00
UNITED STATES TREAS NTS	3	6/30/2024	12/9/2022	1,491,640.02	1,525,000.00
UNITED STATES TREAS BILLS	0	2/23/2023	8/24/2022	2,955,816.62	3,000,000.00
UNITED STATES TREAS NTS	1.625	5/31/2023	8/24/2022	2,967,433.98	3,000,000.00
UNITED STATES TREAS NTS	2.5	8/15/2023	3/29/2022	9,054,541.89	9,000,000.00
				<u>43,373,760.18</u>	<u>43,559,000.00</u>



# Exhibit B

# MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION Investment Policy

## I. Scope

The purpose of the Investment Policy shall be to establish the investment objectives of Missouri Property and Casualty Insurance Guaranty Association (MPCIGA) and provide a set of investment parameters to govern the type, quality, diversification, and term of investments in order to realize those objectives.

In developing and implementing any investment strategy for the custodial assets, Investment Advisors shall comply with the investment parameters set forth herein.

## II. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
  - a. **Credit Risk.** To minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
    - Limiting investments to the safest types of securities, as defined in Section V; and
    - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
  - b. **Interest Rate Risk.** To minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds that offer same-day liquidity for short-term funds.
3. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation

of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal;
- A security exchange which would improve the quality, yield, or target duration in the portfolio; or
- Liquidity needs of the portfolio require that the security be sold.

### III. Standards of Care

1. **Prudence.** The standard of prudence to be used by the Executive Director of MPCIGA shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The standard of prudence to be used by MPCIGA financial advisors shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. The Executive Director acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. **Ethics and Conflicts of Interest.** The Executive Director shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. The Executive Director shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. The Executive Director shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of MPCIGA.
3. **Delegation of Authority.** Authority to manage the investment program is granted to the Executive Director of MPCIGA. Responsibility for the operation of the investment program is hereby delegated to the Executive Director who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Board of Directors.

### IV. Safekeeping and Custody

1. **Authorized Financial Dealers and Institutions.** Central Bank will serve as MPCIGA Financial Dealer and Institution. Central Bank shall retain principal collection subject to MPCIGA direction and shall distribute income to their funding account. All securities will be registered in the name of MPCIGA unless otherwise instructed. An

annual review of the financial condition and registration of Central Bank will be conducted by the Executive Director.

2. **Internal Controls.** The Executive Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of MPCIGA are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Executive Director shall establish a process for an annual independent review by an auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion;
- Separation of transaction authority from accounting and record keeping;
- Custodial safekeeping;
- Avoidance of physical delivery securities;
- Written confirmation of transactions for investments and wire transfers;
- Development of a wire transfer agreement with the lead bank and third-party custodian;
- Timely check of internal trade tickets and dealer confirmations; and
- Sufficiency check of repurchase agreement collateral on the day of trade execution.

## V. Suitable and Authorized Investments

1. **Investment Types.** In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that MPCIGA will consider. MPCIGA may directly invest in or purchase money market mutual funds with at least \$100 million in assets with the following as underlying securities:
  - a. United States Treasury Securities. MPCIGA may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
  - b. Government Sponsored Enterprises (GSE): Farm Credit System (FCS), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), The Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation (FAC).
  - c. Collateralized Public Deposits (Certificates of Deposit): Instruments issued by financial institutions which state that specified sums have been deposited for specific periods of time and at specified rates of interest. The certificates of deposit are required to be secured by FDIC insurance and/or acceptable collateral securities.
  - d. Repurchase Agreements. MPCIGA may invest in contractual agreements between the client and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a

contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices. This includes the purchase of reverse repurchase agreements for not longer than 90 days.

- e. No derivative securities will be used with the exception of U.S. Treasury and Agency Strip securities which have a maximum stated final maturity of not more than 12 months.
  - f. Commercial Paper. MPCIGA may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Commercial Paper purchases in the account shall not exceed 10% of the average monthly balance with a maximum holding of \$5 million. The maximum maturity of each issue will be 30 days from the date of purchase.
- 2. Security Selection.** The following list represents the entire range of United States Agency Securities that will be considered and which shall be authorized for the investment of funds by MPCIGA. Additionally, the following definitions and guidelines should be used in purchasing the instruments:
- a. U.S. Govt. Agency Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options.
  - b. U.S. Govt. Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year.
  - c. U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only with final maturities of up to seven (7) years.
  - d. U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed term. Restricted to securities with final maturities of up to seven (7) years.
  - e. U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off one index. Restricted to coupons with no interim caps that reset at least quarterly.
  - f. U.S. Govt. Mortgage Backed Securities. Restricted to securities with average life of three (3) years or less. Collateralized Mortgage Obligations – Must pass Federal Financial Institutions Examinations Council (FFIEC) Test.
- 3. Investment Restrictions and Prohibited Transactions.** To provide for the safety and liquidity of MPCIGA's funds, the investment portfolio will be subject to the following restrictions:
- a. Borrowing for investment purposes ("Leverage") is prohibited.
  - b. Instruments known as Structured Notes (e.g., inverse floaters, leveraged floaters and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g., options, futures, swaps, caps, floors, and collars), is prohibited other than those described in V(1.)(D.).

- c. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
  - d. No more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.
- 4. Collateralization.** Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%. For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund.
- 5. Repurchase Agreements.** The securities for which repurchase agreements will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to MPCIGA's designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

**VI. Investment Parameters**

- 1. Diversification.** The aggregate investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:
- a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government..... <= 100%
  - b. U.S. Government agencies, and government sponsored enterprises..... <= 100%
    - i. No more than 50% of portfolio in one GSE issuer
    - ii. No more than 50% of portfolio in callable GSE securities
  - c. Collateralized Public Deposits (Certificates of Deposit) ..... <= 100%
  - d. Collateralized repurchase agreements..... <= 50%
  - e. Commercial Paper..... <= 10%
    - i. Maximum holdings of no more than \$5 million
- 2. Maximum Maturities.** To the extent possible, MPCIGA shall attempt to match its investments with anticipated cash flow requirements. MPCIGA shall adopt weighted average life limitations for the portfolio that should not exceed three (3) years and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## VII. Policy Considerations

1. **Exemption.** Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
2. **Amendments.** This policy shall be reviewed on an annual basis. Any changes must be approved the MPCIGA Board of Directors.
3. **Violations.** Any violation of this policy shall be reported to the Executive Committee of the MPCIGA Board of Directors by the Executive Director or Central Bank as soon as known to either the Executive Director or Central Bank so that the matter can be discussed and addressed at a meeting of the MPCIGA Board of Directors.

THE INVESTMENT POLICY  
OF  
THE MISSOURI LIFE & HEALTH INSURANCE  
GUARANTY ASSOCIATION

The Board of Directors of the Missouri Life and Health Insurance Guaranty Association (the "Association") are aware of the responsibility established by sections 376.715 through 376.748, Revised Statutes of Missouri ( hereinafter referred to as the "law"), to protect persons as described therein from the failure of the performance of contractual obligations under life, annuity and health contracts, because of the impairment or insolvency of a member company. In meeting that responsibility, the Association will from time to time, acquire the necessary funds by means of assessment of the membership. The investment policy contained herein is adopted to effectuate the prudent management, investment and reinvestment of those assessed funds.

1. Purpose

The purpose of this statement of Investment Policy shall be to establish the investment objectives of the Association and provide a set of investment parameters to govern the type, quality, diversification and term of investments in order to realize those objectives. To assist in accomplishing these objectives, the Board of Directors authorizes the Executive Director to develop and implement an investment strategy consistent with this investment policy. The Board of Directors further grants authority to the Executive Director to approve investments as they are recommended. In developing and implementing any investment strategy for the Association, any investments purchased shall comply with the investment parameters set forth herein.

2. Objectives

The primary objective of this Investment Policy is to assure maximum safety of all funds invested on behalf of the Association. Inasmuch as the Association's obligations are finite and related to specific insolvencies, investment of the Association's funds shall reflect, to the nearest degree possible, the projected cash outflows. Guided by the desire to maximize investment safety and the need to match the maturities of the assets and liabilities, the investment of Association funds should reasonably be expected to produce a rate of return which equals or exceeds the yield of the United States Treasury Notes, Bills or Bonds for the corresponding time period.

3. Frequency of Review

The Board of Directors recognize that all investments go through cycles, therefore, a review of the investment strategy should be made no less frequently than quarterly. This would enable the board to address changes occurring in the financial markets plus any new information that may call for requirement changes. The quarterly review should address the following areas:

- a) Economic Outlook
- b) Investment Options
- c) Performance/Measurement
- d) Asset Allocation Strategy Review



#### 4. Liquidity

As reviewed on a quarterly basis, a minimum of six months of forward expected cash needs should be maintained in cash or cash equivalents.

#### 5. Permitted Investments

Investment of the Association's funds shall be limited to the following categories:

- a) Cash and equivalents (including, but not limited to, overnight and term repurchase agreements)
- b) Direct obligations of the United States Government
  - i) Treasury Bills
  - ii) Treasury Bonds/Notes
  - iii) Treasury Zero Coupon Bonds
- c) Obligations of agencies sponsored by the United States government
- d) Collateralized Mortgage Obligations and Mortgaged Backed Securities where the underlying security is provided through agencies sponsored by the United States government
- e) Corporate bonds which are rated AA, or better by both the Moody's and Standard and Poor's rating services, or their successors.
- f) Commercial Paper which is rated A1 or P1, or better, by Moody's and Standard and Poor's rating services, or their successors.
- g) Other such investments that are made in conjunction with plans of liquidation/rehabilitation and that are designed to provide a means for the Association to fulfill its statutory responsibility to provide coverage for covered obligations.

#### 6. Diversification

The investment of the Association's funds shall be diversified so as to reduce the element of risk. The diversification of the Association's funds shall be as follows:

- a) No more than a maximum of 10% of the Association's funds may be invested in any one debt issue of the type identified in Section (5), e or f; and
- b) At no time shall investments in categories (5), e or f, represent more than 40% of all the Association's assets.