

## Investment Policy Statement: What Is Important and Why?

The best practices specify the components that should be included and how the policies should be organized and written. To help insurers and risk pools better understand these components, we've provided an overview of our Investment Policy "Best Practices."

	Key Component	What Is It?	Why Is It Important?
I.	<b>Preamble</b>	<ul style="list-style-type: none"> <li>An introductory statement declaring the effective date and its purpose as within the investment process.</li> </ul>	<ul style="list-style-type: none"> <li>Identifies key elements within the policy and requirements the investment portfolio will adhere to.</li> </ul>
II.	<b>Investment Responsibilities</b> <small>i.e. Board, Investment Committee, CEO, CFO, CIO, Manager(s), Consultant, etc.</small>	<ul style="list-style-type: none"> <li>A detailed outline of all internal and external parties with an active role in the investment process.</li> </ul>	<ul style="list-style-type: none"> <li>Defines each party's role and duties and ensure each party adheres to the duties assigned to them.</li> </ul>
III.	<b>Investment Return and Management Objectives</b>	<ul style="list-style-type: none"> <li>An outline of your company's goals and how investment performance will tie into the overall business.</li> </ul>	<ul style="list-style-type: none"> <li>Makes certain all parties understand what the company's investment portfolio should be achieving.</li> </ul>
IV.	<b>Asset Allocation &amp; Risk Management Guidelines</b>	<ul style="list-style-type: none"> <li>A tabular outline of all limitations, target allocations, desired ranges and any other specific measures.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures that the portfolio adheres to its required structure, as determined by the Board, Committee, etc.</li> </ul>
V.	<b>Prohibited Investments &amp; Activities</b>	<ul style="list-style-type: none"> <li>An overview of specific prohibited investments or investment activities.</li> </ul>	<ul style="list-style-type: none"> <li>Safeguards the portfolio from any unwanted deviations.</li> </ul>
VI.	<b>Investment Performance &amp; Reporting</b>	<ul style="list-style-type: none"> <li>A list of all standard and customized benchmarks that have been approved for measuring portfolio performance</li> </ul>	<ul style="list-style-type: none"> <li>Notifies all parties of how performance of the investment portfolio will be evaluated and how often.</li> </ul>
VII.	<b>Strategic Asset Allocation &amp; Portfolio Benchmarking</b>	<ul style="list-style-type: none"> <li>An outline of how the investment portfolio is expected to perform against the benchmark.</li> </ul>	<ul style="list-style-type: none"> <li>Sets expectations for the portfolio's performance and how returns will support the company's overall business.</li> </ul>
VIII.	<b>Investment Policy &amp; Guidelines Evaluation</b>	<ul style="list-style-type: none"> <li>A schedule of how often the investment policy will be reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>A consistent review schedule is needed to account for any material changes</li> </ul>

