

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.947

EFFECTIVE DATE: October 27, 2022

TITLE: Investment Objectives and Guidelines
Hail Insurance Fund

SUPERSEDES: New

BOARD ADOPTION: October 27, 2022

REVIEWED:

I. Appendix III: Operating Funds: Investment Objectives and Guidelines

- A. Schedule III-C: Investment Objectives and Guidelines Hail Insurance Fund.
- B. Approved Date of Schedule:
- C. This Schedule is effective upon adoption by the Board and supersedes all previous Investment Objectives and Guidelines for this specific portfolio.

II. Introduction

- A. The purpose of this policy statement is to provide a framework for the Hail Insurance Fund investments under the guidance of the Board.
- B. The Hail Insurance Fund account consists of funds from producers' premiums paid into the account, along with moneys received from Federal stimulus funds. The Montana State Hail Insurance Program was created at the request of producers in 1917 to provide basic hail insurance coverage on any crop grown in Montana. The goal of the new fund is to reduce the cost of insurance premium through a reduction in reinsurance costs. A portion of the portfolio is unlikely to be needed for liquidity purposes and may seek higher returns as deemed appropriate, but in anticipation of a year with high claims, liquidity is also necessary.

III. Statement of Purpose

- A. The purpose of these objectives and guidelines is to:
 1. Establish the investment objectives and performance standards of the Hail Insurance Fund account.
 2. Provide diversified investment exposure within the guidelines in a prudent and cost-effective manner.

IV. Investment Objective

- A. Strategic
 1. The objective of the Hail Insurance Fund portfolio is to attain above benchmark total return within the parameters of the Investment Guidelines set forth below with an emphasis on investment income and preservation of principal.
- B. Performance
 1. Success in achieving this objective will be measured by comparing the risk and return of the account to the Trust Funds Investment Pool (TFIP) benchmark, the Short-Term Investment Pool (STIP) benchmark, each weighted proportionately to the portfolio's holdings, over a five (5) year moving average.
- C. Time Horizon

Adopted: October 27, 2022

Revised

Reviewed

1. The Hail Insurance Fund is a reserve account. The Board expects to meet or exceed all objectives over a long-term investment horizon. Over shorter periods, the anticipated market volatility, and specific actions, including risk mitigation efforts of the Board, may lead to unfavorable, but expected deviation from these objectives.

D. Investment Guidelines

1. The Board will have full discretion to manage the Hail Insurance Fund portfolio consistent with the investment guidelines stated below. Compliance with the following guidelines for permitted investments and other restrictions is the sole responsibility of the Staff. Any exceptions or compliance violations are to be reported to the Board at the next scheduled quarterly Board meeting.

E. Permitted Investments

1. The Hail Insurance Fund may only invest in the following:
 - a) TFIP.
 - b) STIP or any cash vehicle at the Custodial Bank.

F. Other Restrictions

1. A maximum of ninety percent (90%) of the market value of the portfolio will be invested in the TFIP based on annual average market value.
2. A minimum of ten percent (10%) in the STIP based on annual average market value.

- G. If at any time, due to market fluctuations or any other circumstances, any of the guidelines are not maintained, Staff will use its best efforts to conform to these limits in a timely manner, while considering current market conditions and the associated costs of rebalancing. At the Board's next regularly scheduled quarterly meeting, the CIO shall inform the Board of any cases that the allocations were outside the limits and either inform the Board of the actions that were taken to return the portfolio back within guidelines or a plan to do so.

Authority: Montana Constitution, Article VIII, Section 13
Section 2-15-1808, MCA
Section 17-1-113, MCA
Sections 17-6-201 through 17-6-205, MCA
Section 80-2-222, MCA