60L.06 INSURER INVESTMENT POLICY.

In acquiring, investing, exchanging, holding, selling, and managing investments, an insurer shall establish and follow a written investment policy that must be reviewed and approved by the insurer's board of directors at least annually. The content and format of an insurer's investment policy are at the insurer's discretion, but must include written guidelines appropriate to the insurer's business as to the following:

(1) the general investment policy of the insurer containing policies, procedures, and controls covering all aspects of the investing function;

(2) quantified goals and objectives regarding the composition of classes of investments, including maximum internal limits;

(3) periodic evaluation of the investment portfolio as to its risk and reward characteristics. This clause does not preclude an insurer from the use of modern portfolio theory to manage its investments. For purposes of this section, "modern portfolio theory" means the collection of models and applications that prescribe the maximization of expected returns for a given level of aggregate risk as the primary objective of investment portfolio management;

(4) professional standards for the individuals making day-to-day investment decisions to ensure that investments are managed in an ethical and capable manner;

(5) the types of investments to be made and those to be avoided, based on their risk and reward characteristics and the insurer's level of experience with the investments;

(6) the relationship of classes of investments to the insurer's insurance products and liabilities;

(7) the manner in which the insurer intends to implement section 60L.05; and

(8) the level of risk, based on quantitative measures, appropriate for the insurer given the level of capitalization and expertise available to the insurer.

History: *1998 c 319 s 6*