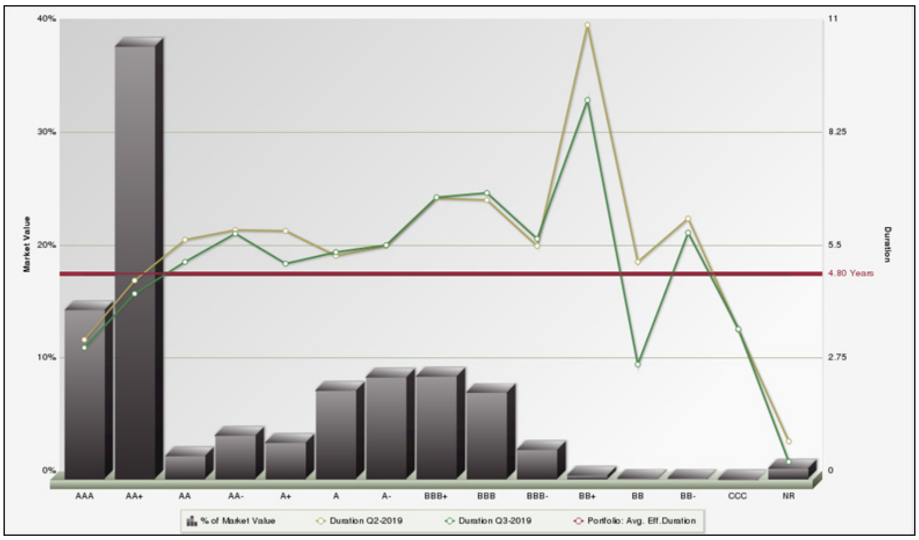
Your Investment Manager - Important Questions to Ask

As your insurance company reviews the investment portfolio with your investment manager, asking key questions can help your staff, Board and Investment Committee better understand the overall process.

For many of the reports and charts that investment managers provide during the quarterly reporting process, these questions will be important to ask as they can drive more effective decision-making.

Credit Duration



Questions to Ask:

- Are you combining credit and interest rate risk within a given credit rating?
- If so, why is this the case?
- Have you considered the risks inherent with that strategy and are we being compensated for taking that risk? How?

Average Credit Rating

Average Credit Ratings
Portfolio: Consolidated FI
Quarter: 4th Q, 08

		Moody	Detailed	Summarized	RBC
4th Q, 08	Factor Average	1.57%	5.84	3.48	1.18%
	Average Credit Rating	A-	A+	AA	A
3rd Q, 08	Factor Average	1.56%	5.58	3.37	1.15%
	Average Credit Rating	A-	A+	AA	A+
2nd Q, 08	Factor Average	1.50%	5.48	3.36	1.12%
	Average Credit Rating	A-	AA-	AA	A+
1st Q, 08	Factor Average	1.43%	5.30	3.27	1.09%
	Average Credit Rating	A	AA-	AA	A+
4th Q, 07	Factor Average	1.43%	5.30	3.28	1.09%
	Average Credit Rating	A	AA-	AA	A+

Average Credit Ratings
Portfolio: Consolidated FI
Quarter: 4th Q, 08

	Summarized	Detailed	Moody
4th Q, 08	AA	A+	A-
3rd Q, 08	AA	A+	A-
2nd Q, 08	AA	AA-	A-
1st Q, 08	AA	AA-	A
4th Q, 07	AA	AA-	A

Questions to Ask:

- Given that our Moody's default factor is x.xx% for our portfolio, do you think we are being compensated for the portfolio credit risk we are taking? Why?
- Why has our Moody's expected default factor increased (or decreased) over time?

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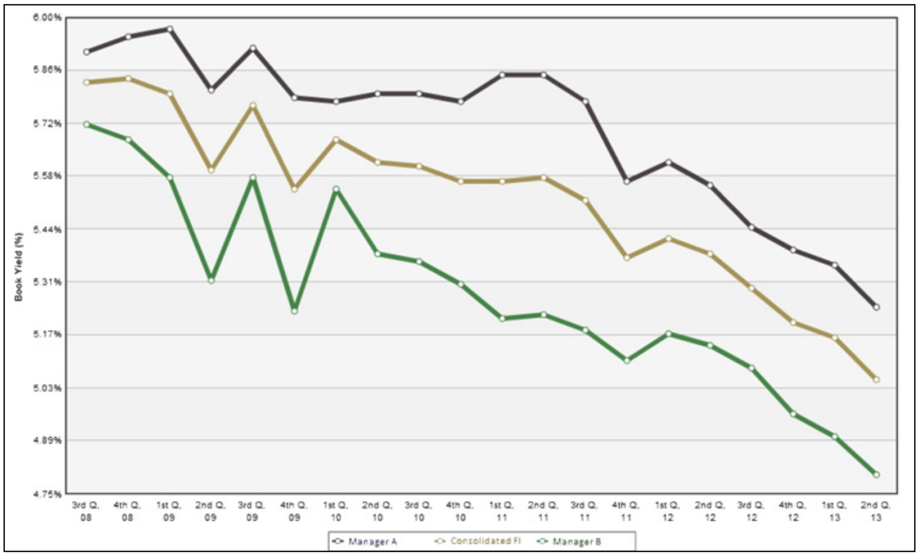
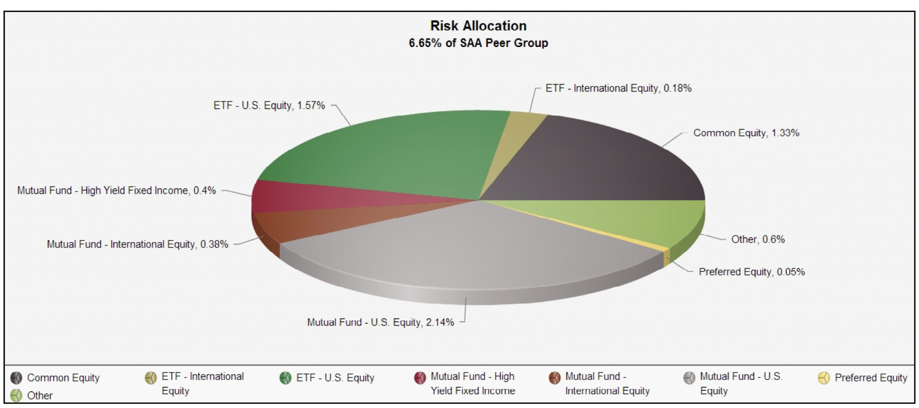
Book Yield Trend



Questions to Ask:

- Why did our book yield trend in the manner shown on the chart?
- How do you expect this chart would look like if we projected it over the next few years? *(assuming no change in rates and/or rates moving up/down by x basis points)*
- If the expected trend in book yield is insufficient, how can we prudently 'bend the curve' to a better than projected result?

Risk Allocation



Questions to Ask:

- Why does the risk asset portfolio have this mix?
- Does this current allocation match still meet our initial expected long-run return for this risk asset portfolio?
- In a 'worst case' scenario, how will our surplus be would this impact relevant ratios?

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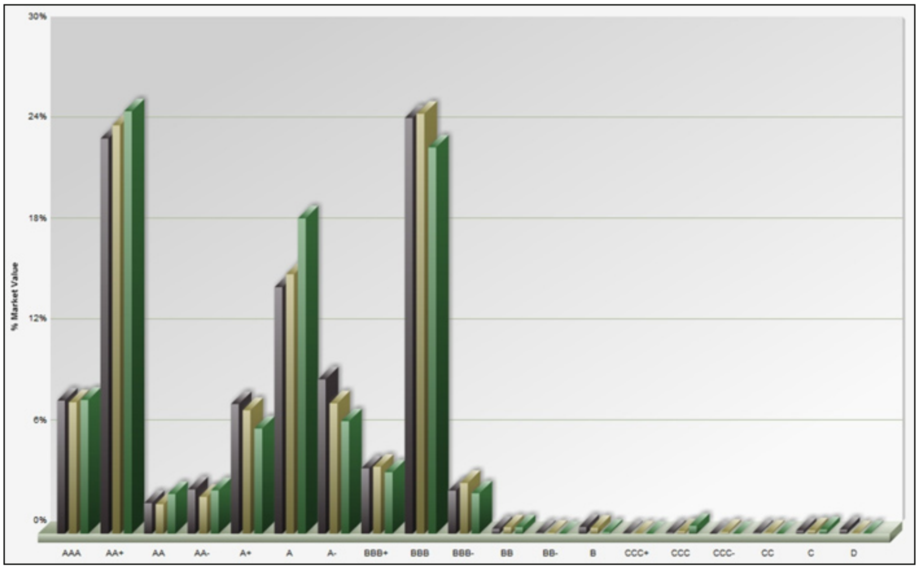
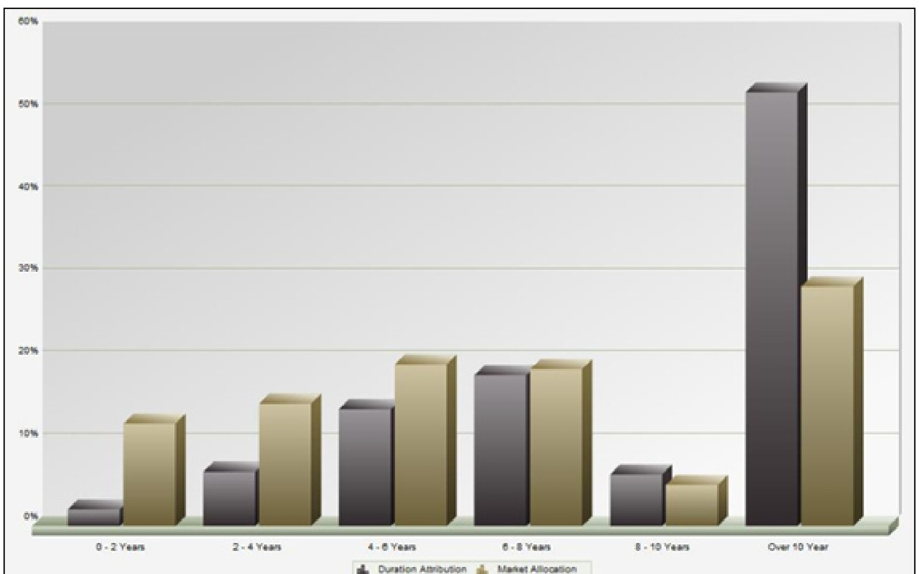
Credit Rating Detail



Questions to Ask:

- Why was there an increase in certain credit rating categories?
- Was this due to a purposeful strategy on your part? Or were upgrades/downgrades by the rating agencies a primary reason? To what extent?
- Specifically, what securities are on your credit 'watch' list and why?
- Why should we continue to hold or sell these securities?

Duration Profile



Duration Bands	Average Duration	Duration Attribution	Attribution Q Chg	Previous 4 Q Chg	Unrealized GL	Market Allocation	Avg Book Yield
- 2 Years	1.17	2.02%	1.35%	1.21%	$-14,099,472	12.45%	5.0
- 4 Years	3.22	6.59%	-3.88%	-0.21%	$-35,246,529	14.85%	5.7
- 6 Years	5.24	14.18%	-0.96%	-1.75%	$-44,638,004	19.61%	5.7
- 8 Years	6.97	18.31%	1.55%	3.30%	$-15,689,477	19.04%	6.2
- 10 Years	9.11	6.27%	-0.50%	1.05%	$-11,027,405	4.99%	6.6

Questions to Ask:

- What is your strategy for taking interest rate risk?
- Are you trying to over/under-weight duration versus the benchmark? Why?
- How would movements in the yield curve effect our portfolio?