

CITY LIGHTS INSURANCE COMPANY INVESTMENT POLICY

A. Purpose

The purpose of this policy is to provide the basis for City Lights Insurance Company (“the Company”) to manage its investments responsibly, to set forth objectives and risk tolerance parameters for the investment portfolio, to establish controls and guidelines for the management of the portfolio, and to ensure compliance with all applicable legal and regulatory requirements imposed by the New York State Department of Financial Services (the “Commissioner”), regarding the investment and disposition of the assets of the Company.

B. Objectives

The Company’s investment portfolio shall be managed to achieve the following objectives:

1. to protect the value of assets held in the portfolios by following prudent investment practices,
2. to maintain adequate liquidity to make claims payments and meet other foreseeable cash needs,
3. to adhere to all legal and regulatory standards and bank policies applicable to the investment portfolio,
4. To carefully balance risk and return, earning the highest available after-tax returns consistent with an appropriate risk level established for the portfolio.

C. Administration

Under the guidance and oversight of the Board of Directors, the Treasurer of the Company shall be responsible for the implementation of the investment policy and have the authority to carry out its provisions. The Treasurer may appoint an investment manager and shall have the authority to interpret this policy and to establish more specific investment directives for the manager. The Board of Directors may delegate similar authority to individual Board members or other Officers of Company, acting through a resolution, which shall be furnished to the investment manager.

The investment restrictions in this policy are written broadly to encompass the widest range of possible investment activities envisioned by the Board. From time to time, Company’s investment objectives may dictate a more restrictive approach. The Treasurer of the Company, or other person designated by the Board, may impose additional restrictions by communicating them in writing to the investment manager.

D. Permitted Investments

The Company may invest in the following types of investments. Any investments not specifically included in this list are not permitted without specific authorization from Company’s Board of Directors.

1. All United States government securities and United States agency debt obligations with maturities no greater than ten (10) years;
2. All debt obligations of any State or municipal government or of any private corporation organized under the laws of the United States or any of its fifty States, provided such obligations have (a) maturities no greater than ten (10) years and (b) a credit rating of either “A” or better from Standard & Poor’s Corporation or “A2” or better from Moody’s Investor Service, Inc.;
3. Commercial paper issued by an institution with an S&P rating of “A” or “A-1” or equivalent rating from a nationally recognized statistical rating organization;
4. A demand deposit account and other permitted investments up to an amount equal to or in excess of the minimum capital and surplus requirement of the Company, established for the purpose of satisfying the minimum capital and surplus requirements of the Company in compliance with all applicable legal and regulatory requirements of the New York State Insurance Department;
5. A demand or time deposit account or certificate of deposit (with a maturity no greater than ten (10) years) provided the full amount therein is fully insured by the Federal Deposit Insurance Corporation.
6. A money market mutual fund, investing in high-quality securities and instruments; or
7. Investments in loans to affiliates of the Company at an interest rate determined by the Treasurer or President of the Company from time to time, provided the Borrower meets all criteria established by the Commissioner and all such loans are: (i) approved by the Company’s Board of Directors; (ii) repayable upon demand; and (iii) documented in a form of demand note acceptable to the Commissioner.
8. Any other securities specifically approved in writing by the Board of Directors.

E. Diversification Requirement

With the exception of US Government securities, repurchase agreements, investments in loans to affiliates, and mutual funds, no more than 25% of the total Company’s portfolio may be invested in any one security or issuer of securities and no more than 25% may be invested in any one industry or sector.

F. Duration

The target duration is 5 years.

G. Accounting Considerations

Securities shall be selected based on their after-tax returns, without distinction between principal and income. Bonds may be purchased at a premium or discount from par.

H. Regulatory Compliance

The Company is required to maintain unimpaired minimum capital and surplus of \$250,000, in the form of cash and other permitted investments in compliance with all applicable legal and regulatory requirements of the New York State Department of Financial Services. The

Corporation will maintain such unimpaired capital and surplus at all times in such permitted investments.

I. Other Issues

1. All fixed income investments must be denominated in US dollars.
2. The manager shall not be required to sell any portfolio holding, if an adverse change (such as a rating downgrade) renders the issue ineligible pursuant to these guidelines.