STATEMENT OF STRATEGIC INVESTMENT OBJECTIVES AND POLICY GUIDELINES

UNITED CHURCH INSURANCE COMPANY

INVESTMENT PORTFOLIO

JANUARY, 2017
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Purpose of the Strategic Investment Policy Statement</td>
<td>1</td>
</tr>
<tr>
<td>II. Responsibilities of UCIC</td>
<td>1</td>
</tr>
<tr>
<td>III. Responsibilities of the Investment Manager</td>
<td>2</td>
</tr>
<tr>
<td>IV. Statement of Investment Objectives</td>
<td>3</td>
</tr>
<tr>
<td>V. General Investment Guidelines</td>
<td>4</td>
</tr>
<tr>
<td>VI. Investment Guidelines on Managing Risk</td>
<td>6</td>
</tr>
<tr>
<td>VII. Standard of Performance Measurement</td>
<td>7</td>
</tr>
<tr>
<td>VIII. Implementation</td>
<td>7</td>
</tr>
<tr>
<td>IX. Investment Committee</td>
<td>7</td>
</tr>
</tbody>
</table>
I. PURPOSE OF THE STRATEGIC INVESTMENT POLICY STATEMENT

A. In keeping with the fiduciary requirement under existing U.S. Federal and State laws, this Statement of Strategic Investment Objectives and Policy Guidelines is set forth in order that:

1. United Church Insurance Company, (UCIC), and the investment manager have a clear and mutual understanding of the investment objectives and policies of the UCIC investment portfolio (Fund).
2. The investment manager is given guidance and limitations in investing these funds, and
3. UCIC has meaningful basis for the evaluation of the portfolio management of the investment manager in order to meet its fiduciary responsibility to prudently monitor the investments of this Fund.

B. The investment objectives and policy guidelines that follow should represent the current consensus of UCIC’s philosophy regarding the investment of Fund assets. The Statement will need to be reviewed and possibly revised from time to time to ensure that the Statement continues to reflect UCIC’s attitudes, expectations and objectives. All modifications or amendments of the investment policies should be in writing.

C. It is the intent of this document to state general attitudes, guidelines, and a philosophy which will guide the investment manager toward the performance desired. It is intended that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practicable.

II. RESPONSIBILITIES OF UCIC

A. The specific responsibilities of UCIC in the investment process include the following:

1. Allocating assets to be managed by the investment manager,
2. Determining the Fund’s projected financial needs and communicating them to the investment manager on a timely basis,
3. Establishing reasonable investment objectives in accordance with Federal and State fiduciary requirements
4. Expressing the Fund’s risk tolerance level,
5. Developing sound and consistent investment policy guidelines, which the investment manager can use in formulating corresponding investment decisions,
6. Selecting qualified investments manager(s),
7. Communicating clearly the major duties and responsibilities of the investment manager,
8. Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met,
9. Reviewing the investment objectives at least once each year and revising them to reflect modifications and revisions which may develop from time to time and
10. Taking appropriate action to replace an investment manager for failure to perform as expected.
B. UCIC shall select investment manager(s) to invest Funds that are either subject to a Trust agreement to collateralize paid losses under various insurance programs or excess unencumbered Funds that are not earmarked for use by the UCIC for the next 12 months. UCIC will select such investment managers from investment advisors registered as such with the Securities and Exchange Commission after due consideration of the manager’s prior performance and such manager’s performance relative to the performance of similar investment managers and the market place in the investment of assets for similar trusts or funds and after consideration of such other factors as UCIC believes relevant.

C. UCIC recognizes that its role is supervisory, not advisory, and that determination of investment strategy and securities selections will be delegated to the professional investment manager.

III. RESPONSIBILITIES OF THE INVESTMENT MANAGER

A. Adherence to Statement of Investment Objectives and Policy Guidelines

1. The investment manager is expected to respect and observe the specific guidelines, attitudes, and philosophies stated herein or as expressed in any written amendments or instructions.

2. The investment manager’s acceptance of the responsibility of managing these funds will constitute a ratification of this Statement, affirming its belief that it is realistically capable of achieving the Fund’s investment objectives within the guidelines and limitations stated herein.

B. Discretionary Authority

The investment manager will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such “discretion” includes decisions to buy, hold and sell securities (including cash equivalents) in amounts and proportions that are reflective of the manager’s current investment strategy and compatible with the Fund’s investment guidelines.

C. Proxy Voting

The investment manager will be responsible for proxy voting activities. UCIC will not direct the investment manager with regard to voting of proxies for stocks under the manager’s control. UCIC asks that the investment manager always consider the best interest of the Fund participants and Fund beneficiaries in voting activities in pursuit of maximizing the value of the stock. Further, UCIC will advise the investment manager if UCIC has a differing or opinion-of-interest on certain proxy vote matters and investment manager will take that opinion into account prior to voting any proxy.

D. Communication

1. The investment manager will be expected to keep UCIC informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting its investment policies or philosophy.
2. UCIC also expects to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the investment management firm.

3. Whenever the investment manager believes that any particular guideline should be altered or deleted, it will be the investment manager’s responsibility to initiate written communications with UCIC expressing its views and recommendations.

E. Reporting

1. UCIC expects to receive timely notices of transaction activity as well as quarterly performance reports.
2. In addition, any information needed to assist UCIC in conducting its own evaluation of the portfolio management would be expected on a timely basis.

F. Meetings

It is UCIC’s desire to meet with the investment manager at least annually to review the following:

1. The manager’s investment strategy as it relates to its outlook on the economy and stock market.
2. Current portfolio structure and asset allocation policy.
3. The Fund’s performance compared to appropriate benchmark indices determined by UCIC.

G. Compliance with Appropriate Legislation

The investment manager is expected to:

1. Acknowledge in writing their recognition and acceptance of full responsibility to keep the captives assets in full compliance with Article 6.
2. Be registered under the Investment Advisory Act of 1940.

IV. STATEMENT OF INVESTMENT OBJECTIVES

A. The investment objective of the portfolio is to seek a total investment return while maintaining a stable principal value and adequate liquidity to meet requirements as periodically communicated by UCIC without sacrificing consistency and predictability of investment results.

Achievement of this objective should be done in a manner such that the principal amount of these assets is enhanced over the investment horizon and is protected from excess volatility in market value.

B. Specific Performance Objectives

Casualty Trust:

IC seeks to achieve a greater return, including expenses and management fees, than the Bloomberg Barclays U.S. Intermediate Government/Credit A Index or Higher on a trailing 1, 2, and 3 year basis.
Property Trust:

IC seeks to achieve a greater return, including expenses and management fees, than the BofA Merrill Lynch 1-3 Year AAA-A U.S. Corporate and Government Index on a trailing 1, 2, and 3-year basis.

UCIC also expects that the total return of Funds under management will achieve a real rate of return equal to the Consumer Price Index plus 50 basis points on a trailing 1, 2, and 3-year basis.

Indexes will be reviewed on an annual basis and adjusted as deemed appropriate by the Investment Committee.

V. GENERAL INVESTMENT GUIDELINES

A. Economy

Over a period of time, UCIC anticipates the possibility of significant changes in the economy, such as varying short- and long-term interest rates and changing rates of inflation.

It will be the responsibility of the investment manager to choose and manage investments with a view toward changing economic conditions in order to optimize results and achieve the Specific Performance Objectives to provide a hedge against anticipated inflation.

B. Safety of Principal

It is believed that the criterion of safety of principal needs not be imposed on each individual commitment to individual securities or sectors. However, the portfolio taken as a whole must be structured primarily to protect it against the long-term erosion of capital.

C. Liquidity Requirements

The investment manager shall maintain a small reserve in the form of cash equivalents to meet anticipated disbursements from the Fund. The amount of the cash reserve will be determined in consultation with UCIC.

D. Turnover

It is the responsibility of the investment manager to minimize the turnover, and therefore transaction costs, needed to achieve the performance objectives. If performance results meet or exceeds the Fund’s investment rate of return objective, the rate of turnover may not be an evaluative factor.

E. Eligible Investments

Guidance is provided below for the Casualty and Property Trusts (Trusts) held as collateral trusts with the fronting insurance carrier (Grantor) as well as guidance for investment of UCIC’s minimum capital requirement.
Casualty and Property Trusts:

1) Government obligations that, (i) are rate A or higher by Standard and Poor’s Rating Services (S&P) or Moody’s Investor Service (Moody’s), (ii) are not in default as to principal or interest, (iii) are valid and legally authorized, and (iv) are issued, assumed, guaranteed, or insured by:
   a) The United States or by any agency or instrumentality thereof,
   b) any state of the United States,
   c) any territory or possession of the United States or any other governmental unit in the United States.

2) Obligation of American institutions that, (i) are issued by any solvent American institution or assumed or guaranteed by any solvent American institution (other than an Insurance Company), (ii) are not in default as to the principal or interest, and (iii) are rated as specified below:
   a) Commercial Paper rated A1 or P1 or higher by Standard and Poor’s Rating Services (S&P) or Moody’s Investor Service (Moody’s)
   b) Senior debt obligations rated A or higher by Standard and Poor’s Rating Services (S&P) or Moody’s Investor Service (Moody’s)
   c) The maximum amount that can be invested in any one corporation in subparagraphs (a) and (b) of this paragraph is five (5%) percent.

3) U.S. Treasury or Governmental Money Market Mutual Funds that fully invest their total assets, U.S. Government securities or repurchase agreements collateralized by U.S. government securities. Eligible U.S. Treasury or Government Money Market Mutual Funds must transact as a state Net Asset Value (NAV) and not be subject to liquidity or redemption fees.

4) Certificates of Deposit payable in U.S. legal tender issued by a U.S. Bank that is a member of the Federal Reserve System.

5) Cash denominated in U.S. dollars.

Ineligible assets include by are not limited to preferred stock, guaranteed stock, common stock or similar equity shares in private-held companies, public companies, or partnerships; non-U.S. dollar denominated assets; auction rate securities; derivatives, including futures, options, forwards and swaps; real estate; mortgage backed securities (MBS) or asset back securities, except for U.S. Agency and Government-Sponsored Enterprises (GSE) debt securities, and U.S. Agency and GSE backed mortgages,

Investments in AIG or its Subsidiaries or Affiliates or in the Grantor (UCIC), its Parent (UCIA), Subsidiaries or Affiliates are not permitted.

Lexington Insurance Company, in its sole discretion, may assign a value to any assets held in the Trust Accounts at an amount that may be less than the recognized Market Value in order to reflect potential volatility or price uncertainty, or to preserve adequate collateral.

The assets held in the Trust Accounts shall, at all times, have a Market Value equal to no less than one hundred two percent (102%) of the Grantor’s Obligations.
Other investments:

Additionally, funds may be loaned back to United Church Insurance Association (UCIA or IB), provided such loans are payable upon 24 hours of demand, evidenced by a promissory note acceptable to the Hawaii Insurance Division, and accrued interest shall be paid within 60 days following the end of each calendar quarter. Such loans will be subject to pre-approval by the Hawaii Insurance Division.

For UCIC’s minimum capital required, investments shall only be made in securities with a credit rating of BBB or higher.

F. Investment Transactions

UCIC reserves the right to direct the brokerage transactions to brokerage firms who provide beneficial services to the Fund such as evaluation services recognizing that the cost of such services would otherwise have been paid in hard dollars from the Fund, Commission discount will therefore be competitively negotiated with the cost in mind to arrive at the “best realized price” basis.

G. Social Screening

When selecting investments, which are held directly, management should favor securities of companies and organizations which in their policies and actions work to promote human health and dignity, environmental integrity, and moral responsibility, provided that the investment manager is not able to identify other investments with superior reward/risk relationships. In the selection process, management should avoid securities which derive a significant portion (as defined below) of their revenues from the manufacture, sale or distribution of alcohol, tobacco, gambling or military products or services.

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Approximate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol</td>
<td>10%</td>
</tr>
<tr>
<td>Gambling</td>
<td>10%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1%</td>
</tr>
<tr>
<td>Military: Conventional weapons</td>
<td>10%</td>
</tr>
<tr>
<td>Military: Nuclear Weapons</td>
<td>5%</td>
</tr>
</tbody>
</table>

Additional screening will be performed in accordance with guidance from the UCIC Board of Directors. These screenings will be approved by the Investment Committee of the UCIC Board of Directors and results of the screenings will be documented in the UCIC Board of Directors Meeting minutes.

In the event that the investment manager elects to direct brokerage UCIC must approve the terms and conditions of the arrangement in advance of such transactions.
VI. INVESTMENT GUIDELINES ON MANAGING RISK

UCIC best describes risk as the potential for erosion of capital over time.

A. Risk Management Guidelines

UCIC recognizes that capital markets can be unpredictable at times and that any investment posture could result in periods whereby the market value of the Fund’s asset may decline in value. In its desire to protect UCIC’s capital, UCIC imposes the following risk tolerance guideline: On a trailing 12-month basis the portfolio should have a positive return.

B. Diversification

Investments in fixed income securities should be diversified in a way that is consistent with the risk tolerance and investment objectives of the Fund. Other than U.S. Government Securities, the investment manager may not invest more than 5% of the total market value of the portfolio in any single issuer (excluding loans back to IB).

C. Asset Distribution

UCIC sets the following asset mix guidelines which should be observed:

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income Securities</td>
<td>90-95%</td>
<td>0-100%</td>
</tr>
<tr>
<td>Cash or Equivalents</td>
<td>5-10%</td>
<td>0-100%</td>
</tr>
</tbody>
</table>

VII. STANDARDS OF PERFORMANCE MEASUREMENT

Portfolio management will be measured on a year to year basis and will be evaluated over a trailing 1, 2, and 3-year investment horizon. While measurement of the portfolio’s investment return is an essential indicator in the evaluation of the portfolio’s performance, UCIC believes that ongoing qualitative evaluation of the portfolio management is important in the protection of the Fund’s assets and in the achievement of the Fund’s objectives in future years. Therefore, evaluation of the portfolio’s performance and management shall include measurement based on the standards that follow:

A. Total Portfolio Performance

The extent to which the compound annual rate of return of the total portfolio over the relevant measurement period equals or exceeds the performance objectives as stated in Section IV.

B. Fixed Income Performance

The extent to which the fixed income return equals or exceeds the return of the Bloomberg Barclays U.S. Intermediate Government/Credit A or Higher Index.

C. Performance will be measured on a time-weighted basis, and be reported net of fees and expenses, which: a) recognizes the changes in market value, as well as income received, b) takes into account any appreciation or depreciation that occurs during the period examined, whether realized through the sale of securities or left unrealized by holding the securities, and c) eliminates the influence of cash flow or asset transfers (such as employer contributions and withdrawals) that are essentially beyond the control of the investment manager.
D. Evaluation of the portfolio performance and management will be conducted quarterly with the assistance of an independent evaluation service if considered necessary. The quarterly performance report provided to UCIC will include the total Funds return, as well as the fixed income portion of the Funds return on a quarterly, year-to-date, calendar year, 3 year, and inception to date basis. All returns will be compared to the CPI and the relevant index chosen as the benchmark under Section IV (b). In addition to investment performance, the quarterly reports will compare the actual portfolio characteristics to that of the relevant index.

E. While UCIC intends to evaluate the portfolio’s performance over the agreed upon evaluation period, it reserves the right to change the investment manager in its sole discretion. The most serious threat to UCIC’s confidence regarding any investment manager is material breach of the Fund’s risk tolerance and investment guidelines. Other factors considered by UCIC will include: changes in senior management of the investment manager, and unsatisfactory investment performance over time.

VIII. IMPLEMENTATION

All new monies to be invested for UCIC by the investment manager after the adoption of this Investment Policy Statement shall conform to this Statement within 90 days after the delivery of new assets.

IX. INVESTMENT COMMITTEE

A. The Investment Committee will be composed of at least two members of the UCIC Board of Directors and will maintain relevant expertise in subject matters such as financial and capital markets, cash management, law, etc.

B. The Committee will meet no less frequently than annually to review performance, investments, and adherence to this policy.

C. The Committee will endeavor to keep invested UCIC assets in full compliance with applicable regulatory requirements and advise UCIC Board of Directors on results.

Approved by UCIC Board of Directors

January, 2017