

Appendix B - WFL Finance and Investment Committee Goals

Western Fraternal Life Investment Committee Goals

1. Evaluate the current degree of investment risk as it relates to additional market opportunities.
 - Are we taking enough risks to help increase our yield?
 - Are we currently too conservative within the current market?
 - What opportunities and risks exist with investing in small and mid-cap companies?
 - How is RBC effected by these risks?
 - What is the return per unit of RBC on each risk class?

In 2016 we continued to invest in private placements, increasing the allocation maximum to 15% of total assets at the end of 2016. This provided approximately 50 bp's of excess yield over comparable public corporates in 2016. It has also allowed us to increase our diversification into new names and provide protections added covenants within the structure of the bonds.

In 2016 we increased our allocation into BBB rated bonds by 5% (23% of portfolio) and purchases were focused on longer duration securities to increase yield and better match the durations of the assets and liabilities.

In 2016 we began using ICA to invest in commercial loan pools. By investing in these pools, we are able to diversify our risk into multiple loans, while keeping the average loan exposure at appropriate levels.

BTC and Advantus provide the committee with market trends and economic updates.

2019 – Western continues to look at investments that will help add yield to the portfolio while maintaining a relatively conservative risk approach.

2. Evaluate portfolio as to areas that may be under-weighted and areas that may be over-weighted.
 - Should we add new cash to under-weighted areas and withdraw from the over-weighted portions in order to re-balance the portfolio in a way that is advantageous both short- and long-term

We continue to add to the Private placements to get to the 15% allocation. We are also growing our commercial loan portfolio. Currently looking for opportunities in Municipals, depending on if an infrastructure spending bill is passed.

2019 – The Private Placement portfolio is approaching the maximum allocation. We will need to determine if we need to increase this amount or leave it as is.

3. Asset/Liability cash flows

- Are the cash flows of the assets and liabilities adequately matched?

Based on analysis done in 1Q16, we have the ability to lengthen the duration of purchases to match the liability durations. The average duration of purchases in 2016 was 10.9 years. Normal years the duration has been 6 to 8 years.

2019 – Western continues pass the various interest rate scenario's in the cash flow testing.

4. Understand the benefits and disadvantages of a merger and what opportunities are present.

- What conditions would make it right for a merger?
- Why would Western Fraternal Life want to merge? What are the benefits?
- What are the disadvantages of a merger?
- What would be the end goal?
- What opportunities are present? What organizations would be attractive or what organizations would find us attractive?

The best condition for a merger would be if associations are well capitalized and each would be able to continue to support the fraternal activities of their members. It would also be advantageous if the two societies had a well-established sales force to continue to grow premiums.

Western would want to merge if the two could create economy of scales to reduce duplicate processes. This would lower costs that would go directly to the bottom line.

Disadvantages would be the possible loss of identity depending on who you would merge with. If you were to merge with a company that is not profitable you could be putting your surplus at risk. You must make sure the costs of merging and gains from operational cost savings would offset each other and help grow the bottom line over time.

The end goal would be to have a society that is financially strong enough the support the fraternal activities of the organization along with meeting the needs of the insurance side of the business. We all sell similar products and have similar operational costs.

2019 – 2020 - Western is currently in the process of merging with National Mutual Benefit. It has been determined that NMB would be a good fit. They are financially strong, share similar values and products. This would be a merger of equals, no one is taking over the other. It has been determined that now is a good time to merge with NMB because we are both financially healthy and the economies of scale will help provide the funds to invest in technology and growth strategies.