

FICA® FOR INSURANCE PROVIDERS

NAIC Policy Change Eliminates Certain US Government Money Funds from Exempt List

Effective July 1, 2018, the National Association of Insurance Commissioners (NAIC) will begin excluding money funds investing in certain agency securities from its U.S. Direct Obligations/Full Faith and Credit Exempt List (the “list”) for Mutual Funds. The NAIC determination is that certain agency paper is not considered to be backed by the full faith and credit of the U.S. Government.

What Type Of Impact Will This Have For Insurance Investors?

Ability to Diversify Operating Cash Will Become More Limited

U.S. government money funds that invest in agency securities, such as FHLB, FNMA, and Federal Farm Credit Banks, will no longer be eligible for inclusion on the NAIC list. Coupled with the NAIC’s elimination of the Class 1 Status for Prime Money Funds in 2016, insurance companies will now have a significantly narrowed choice of listed money fund vehicles, consisting only of U.S. Treasury funds. Government funds not appearing on the NAIC list remain eligible investments for insurance companies however they are subject to a risk-based capital charge effective July 1, 2018, per NAIC guidelines (.40% for Life companies and .30% for P&C companies).

What Alternatives Are Available?

Federally Insured Cash Account (FICA®)

Insurance companies that are seeking a means to diversify their operating cash in light of the NAIC policy change on July 1, 2018, can join the more than 1,500 institutions, many of which are insurance/captive insurance companies, that have relied on FICA® for their full faith and credit cash management needs for nearly a decade.

- \$100 million in federal insurance per entity
- Backed by the full faith and credit of the U.S. government¹
- Liquid | 100% overnight deposits²
- AAAkf rated³
- Current rate of 2.37%⁴

Deposits in FICA® qualify for treatment as cash balances outlined by the NAIC.

Adding FICA® to your operating cash portfolio can help to diversify your short-term liquidity holdings, provide the safety of up to \$100 million of government-backed deposit insurance, and potentially increase current income with a competitive rate compared to other government-backed instruments.

How Would FICA® be Categorized for NAIC Reporting?

Since FICA® allocates to a network of bank deposit accounts, reporting would require listing the number of underlying depositories and aggregate dollar amount (available at ficaaccount.com) on the Schedule E Part 1 Cash.

[FICA® Fact Sheet](#)[Contact Us](#)

LEARN MORE

866-343-5516

cashmanagement@stonecastle.com

STONECASTLE.COM

StoneCastle is not a bank, nor does it offer bank deposits and its services are not guaranteed or insured by the FDIC, NCUA or any other governmental agency. StoneCastle Cash Management, LLC (StoneCastle) is an investment adviser registered with the United States Securities and Exchange Commission (SEC). For more information regarding the firm, please see its Form ADV Part 1 and 2A on file with the SEC. Registration with the SEC does not imply a particular level of skill or training.

This document is for informational purposes only and should not be construed as investment advice or an offer to buy, solicit or sell any securities. The views expressed represent the opinions of StoneCastle and are not intended to predict or depict performance of any investment. These views are as of the date of this document and are subject to change. Past performance does not guarantee future results. Interest rate earned may vary within a particular program based on the size of the account balance and the introducing party.

1 FICA® is not a member of The Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA), but the depository banks where your money is placed are FDIC and NCUA members. FDIC and NCUA are independent agencies of the U.S. government that protects the funds depositors place in FDIC and NCUA insured institutions. FDIC and NCUA deposit insurance is backed by the full faith and credit of the U.S. government. Balances held in your Custody Account may not receive FDIC and NCUA insurance. If you have any cash at any depository institution that is in the FICA® network then you may not receive full FDIC or NCUA insurance coverage on your deposits at those institutions. Funds may be submitted for placement only after a depositor enters into a FICA® agreement. The agreement contains important information and conditions regarding the placement of funds.

2 Liquidity is on a next business day basis. Same day purchase credit and next day liquidity redemptions are subject to a 3:00 PM ET cut-off. Please read the FICA® Program Terms and Conditions for more complete information and the governing terms of the account (including liquidity, terms, etc). This can be found at www.ficaaccount.com.

3 Kroll Bond Rating Agency “(KBRA)” is registered with the SEC as a Nationally Recognized Statistical Rating Organization (NRSRO). In addition, KBRA is recognized by the National Association of Insurance Commissioners (NAIC) as a Credit Rating Provider (CRP). The AAakf rating assigned to FICA reflects the Program’s Primary Quantitative Rating (PQR) as measured by the KBRA Funds Credit Quality Rating Matrix, which is based on the credit quality of the underlying instruments that comprise the portfolio. Additionally, the fund rating is influenced by the results of the qualitative assessment of StoneCastle. The qualitative shadow rating (QSR) was found to be strong.

4 Yield quoted is as of January 1, 2019. Current yield and maximum deposit insurance coverage is indicative for FICA® and may change without notice. Please call 866-343-5516 for the most current yield and maximum deposit insurance coverage. FICA® return is the net yield to clients based on APY for the period indicated as reported by StoneCastle.

FICA® is a service mark of StoneCastle.

© 2019 StoneCastle Cash Management, LLC. All rights reserved.

For Institutional Use Only