I. Policy Statement/Purpose

The purpose of the Net Asset Policy to ensure that MMRMA holds adequate capital to meet its current and future obligations. Further, the policy is intended to protect MMRMA from various business risks, thereby ensuring its ability to continue to provide superior programs and services to its Members. Net assets are used for:

A. Protection from rate inadequacy
B. Protection against reserve deficiency;
C. Contingencies for uncollectible reinsurance;
D. Protection against credit risks, investment risks, and investment volatility
E. Protection against new or unexpected claims; and
F. Additional capacity for growth and the ability to develop and implement new services, programs, or coverage at the discretion of the Board of Directors.

To achieve this purpose it is the policy of MMRMA to maintain sufficient capital comparable to "high quality" insurance companies enjoying an AM Best rating of "A" or higher.

II. Expected Outcomes

The outcome of the Net Asset Policy are methods and procedures to:

A. Systematically evaluate capital adequacy.
B. Establish appropriate capitalization levels.
C. Determine the need to periodically adjust net assets levels.
D. Use any identified excess net assets for the benefit of the membership at the discretion of the Board of Directors.
III. Responsibilities

A. Board of Directors responsibilities include:
   1. Reviewing methods and procedures to determine adequate capitalization levels and to deploy any excess assets for the benefit of the membership.
   2. Approving recommended capitalization levels.
   3. Approving any uses of nets assets to benefit the MMRMA membership.
   4. Approving procedures to increase net asset levels if necessary.
   5. Reviewing and modifying this net asset policy as needed.

B. Executive Director responsibilities include:
   1. Developing and implementing methods and procedures to determine adequate levels consistent with this policy.
   2. Developing and implementing procedure to increase net asset levels if necessary.
   3. Developing recommended uses of any identified excess net assets for the benefit of the membership.
   4. Developing and implementing specific procedure for the deployment of any net assets.

At least annually, the Executive Director shall prepare and present a report to the Board of Directors concerning current and recommended capitalization levels. This report may also include recommendations for the deployment of any excess net assets to benefit the membership.

IV. Monitoring

The Board shall monitor this policy on an annual basis.