Each week The **NAIC's Capital Markets Bureau** monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of US insurance companies. A list of archived Capital Markets Bureau Special Reports is available via the **index**.

Insurance Asset Management: Internal, External or Both?

Insurance companies, by their very nature, accumulate substantial amounts of cash that are used to purchase invested assets. Assets accumulated by insurers include those associated with the company's policyholders' surplus (or capital), as well as assets that support the insurance company's policy reserves, which are used to pay policyholder obligations as they become due.

The nature and size of an insurer's invested assets vary substantially depending on the specifics of the insurer. Life insurance companies typically accumulate the largest dollar amount of invested assets, because of the "asset intensive" nature of their products, such as life insurance and annuities. Assets of life insurers are primarily invested in medium- and longer-term taxable fixed-income investments. Property/casualty insurers typically have a relatively higher percentage of their assets associated with the company's policyholders' surplus (capital) — a considerably smaller dollar amount of total assets than life insurers — and can benefit from use of tax-favored investments such as tax-exempt bonds. Still other kinds of insurance companies (such as reinsurers, title insurance companies and health insurers) have their own set of unique investment-related characteristics and needs. The investment portfolio of every insurer must be tailored to satisfy that specific insurer's complex and ever-changing investment requirements.

Types of Investment Managers

Internal managers: The largest insurance companies, those with $3 billion to $5 billion or more in assets, usually enjoy sufficient scale so they can economically rely upon their own investment operation. This investment manager could be directly part of the insurance company. Or, it could be a discrete investment management subsidiary that is a distinct part of the overall group. However, in each case, the investment management organization shares common ownership with the insurer for which it manages the funds.

Reasons for the use of an external investment manager: However, for many insurers, it might not be practical to have their own internal investment operation. According to a survey of insurance companies conducted by the Insurance Asset Outsourcing Exchange, approximately two-thirds of the insurance companies that responded outsource some or all of their asset management. An effective investment operation requires more than just a few knowledgeable people, but instead, in many cases, an extensive, specialized staff and systems. This staff needs expertise covering a broad range of investment disciplines and market sectors that could include, but is not limited to, corporate bonds, residential mortgage-backed securities (RMBS), asset-backed securities, commercial mortgage-backed securities (CMBS), equities, tax-exempt securities and derivatives. An insurer that intends to have a diversified portfolio across different asset classes needs sufficient size in invested assets to economically justify the formation of even a modest size internal investment operation. Without that size, the investment manager's operation would be inherently limited in breadth and depth. The internal manager would not be able to economically offer a broad range of investment capabilities covering a wide variety of asset classes.

Special expertise needed for some asset classes: While investment management of any kind relies on expertise, as well as an appropriate supporting infrastructure, this is especially true for certain more complex asset classes. A trained investment professional with a modest amount of supporting analytic tools should be able to manage a high-grade corporate or tax-exempt portfolio.

Agency RMBS does not require special expertise for understanding potential credit issues, but is considerably more complex from a cash flow standpoint. A lack of understanding of prepayment risks can lead to significant problems.

Other asset classes — such as structured non-agency RMBS, CMBS and many derivatives — can be extraordinarily complex. Even seemingly minor differences could make a major difference in the risk-and-return characteristics of the investments. Without being very active in a specific market, it is unrealistic to expect the investment professional to remain current in the ever-changing nuances in these markets. Possibly even more important, an investment professional is unlikely to be successful in these markets without substantial expenditures in supporting infrastructure, such as analytic systems and databases. Investment professionals are unlikely to be successful in markets such as CMBS if they do not have access to the extensive and expensive analytic tools required to participate in these markets.

While reliance on a qualified outside expert might be the preferred method of operation for some companies in certain markets, the insurer must still retain sufficient internal expertise to set the boundaries of the investment mandate and be able to recognize when something goes amiss. The insurer itself must retain sufficient expertise to be able to recognize a case when corrective action is required, including possible termination of the manager and/or asset class. A clear example of this in recent years was the non-agency RMBS sector, which led to substantial investment losses for some insurers despite the alleged expertise of the sector's portfolio manager.

Development of the External Insurance Company Investment Management Specialist

Consequently, many insurers fall into the category where an investment management outsourcing arrangement is the more desirable alternative. However, properly selected external investment management arrangements can give smaller insurers substantial investment capabilities and expertise, albeit shared with other clients, at a reasonable cost. In response to this need, a number of external investment managers have arisen targeting this market opportunity.

Some external investment managers used by insurers are generalist investment managers that manage assets for a broad range of different types of clients. However, specialist insurance asset managers have developed and have become increasingly prevalent in this market. Such investment managers focus specifically on managing insurance company assets. Consequently, they have become highly acquainted with the unique investment and other needs of insurance companies as investment management clients.

These insurance specialists are often, but not always, part of larger financial services organizations. If the manager is part of a larger organization, it could be affiliated with a bank, an insurance company or an investment management specialist. In any case, the insurance company client can benefit from a dedicated cadre of investment professionals devoted to satisfying the specialized needs of insurance company clients at a moderate and variable cost.

A survey conducted by IFI Insurance Asset Manager in affiliation with Patpatia & Associates. Inc. identified 64 North American investment managers managing third-party insurance company general account assets. These 64 investment managers manage in excess of 90% all outsourced general account insurance assets. Figure 1 lists the leading 34 insurance company external general account investment managers, ranked by assets under management as of year 2009, according to the survey's results.

The managers on this list can be classified in several categories. BlackRock, Wellington Management, Western Asset Management and others are part of large organizations primarily focused on investment management. Many of these organizations have extensive multi-product capabilities and have geographically dispersed operations, with offices in the United States, London, Tokyo and the Caribbean.

Deutsche Asset Management, Goldman Sachs Asset Management, State Street Global Advisors, Northern Trust Global Investments and others are parts of organizations that are primarily banking enterprises. Particular care needs to be taken with managers falling in this category that all transactions made with an affiliate of theirs (such as a bank or securities dealer part of the group) has been transacted on a fully arm's-length basis.

GR-NEAM, PIMCO, AllianceBernstein, ING Investment Management, Aviva Investors and others are parts of larger insurance focused enterprises. Each of these companies manages assets of affiliated insurers, as well as assets of non-affiliated insurers. In these cases, care must be taken to see that the investment manager treats all clients consistently and fairly, and that the affiliated insurers are not supplied more favorable treatment than non-affiliated insurers.

Conning Asset Management, Delaware Investments, PineBridge Investments, AAM Investment Management and others are independent investment managers. These managers might be less exposed to conflicts, but care should still be taken to ensure that each insurance client is treated equitably.

Figure 1:

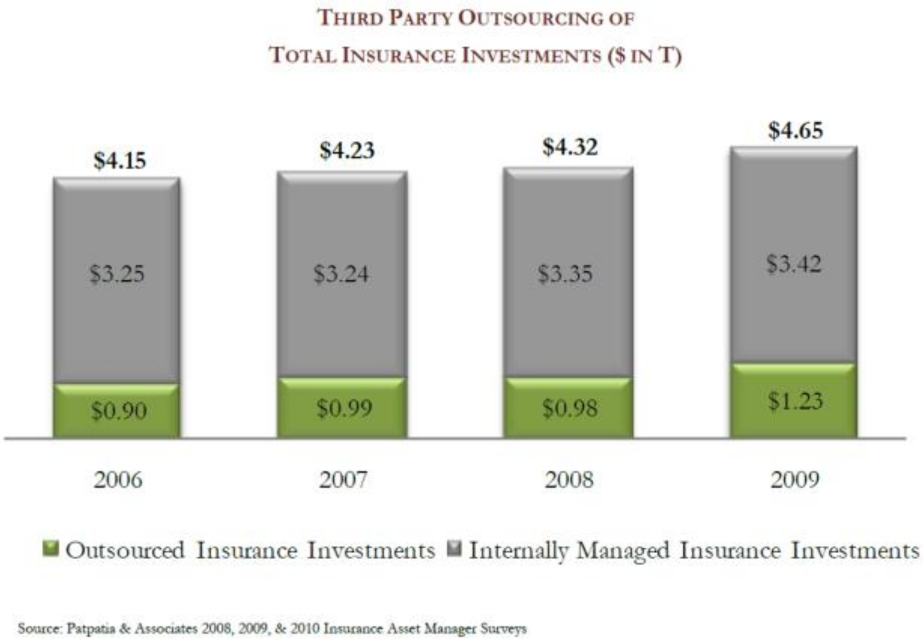
2010 North American Insurance Asset Manager Survey Participants (US$ in B)

Rank	Asset Manager	Third-Party GA	Affiliated	Sub-Advised	Total Ins.
1	BlackRock, Inc.	$191.3	0.0	$77.4	$268.7
2	Deutsche Asset Management	172.8	0.0	34.3	207.1
3	GR-NEAM	79.7	$21.0	0.0	100.7
4	Conning Asset Management	76.5	0.0	0.0	76.5
5	Wellington Management Company, LLP	72.8	0.0	45.2	118.0
6	Delaware Investments	70.4	0.0	0.0	70.4
7	Goldman Sachs Asset Management	52.9	1.2	34.1	88.2
8	PIMCO	40.5	236.3	73.2	350.0
9	State Street Global Advisors	38.5	0.0	31.4	69.9
10	PineBridge Investments	32.1	0.0	20.6	52.7
11	Western Asset Management Co.	27.6	0.0	11.6	39.2
12	J.P. Morgan Asset Management	26.1	0.0	12.8	38.9
13	Northern Trust Global Investments	20.5	0.0	19.8	40.3
14	Wells Capital Management	20.5	0.0	4.6	25.1
15	Standish Mellon Asset Management	14.8	0.0	0.0	14.8
16	AAM Insurance Investment Management	14.6	0.0	0.0	14.6
17	AllianceBernstein LP	12.4	78.6	43.5	134.5
18	Brookfield Investment Management Inc.	10.9	0.8	0.3	12.0
19	Prime Advisors, Inc.	9.4	0.0	0.0	9.4
20	Invesco Ltd.	9.2	0.0	13.3	22.5
21	Federated Investors	9.1	0.0	7.3	16.4
22	ING Investment Management	8.7	178.7	68.4	255.8
23	Morgan Stanley Investment Management	8.3	0.0	7.9	16.2
24	Guggenheim Partners Asset Management, LLC	8.1	32.8	0.3	41.2
25	Payden & Rygel	6.8	0.0	0.0	6.8
26	Aviva Investors	6.1	289.3	34.1	329.5
27	Robert W. Baird & Co.	4.9	0.0	0.0	4.9
28	Principal Global Investors	4.3	56.3	3.9	64.5
29	TCW Group	4.2	0.0	1.5	5.7
30	Neuberger Berman	3.7	0.0	8.8	12.5
31	Columbia Management Advisors, Inc.	3.6	6.9	1.8	12.3
32	McDonnell Investment Management	3.6	0.0	0.0	3.6
33	Income Research and Management	3.5	0.0	0.0	3.5
34	Advantus Capital Management, Inc.	3.1	10.3	2.4	15.8

Source: IFI Insurance Asset Manager: Annual Survey 2010, World Trade Executive in affiliation with Patpatia & Associates, Inc.

Growth of the Use of External Management by the Insurance Industry

Figure 2



Source: IFI Insurance Asset Manager: Annual Survey 2010, World Trade Executive in affiliation with Patpatia & Associates, Inc.

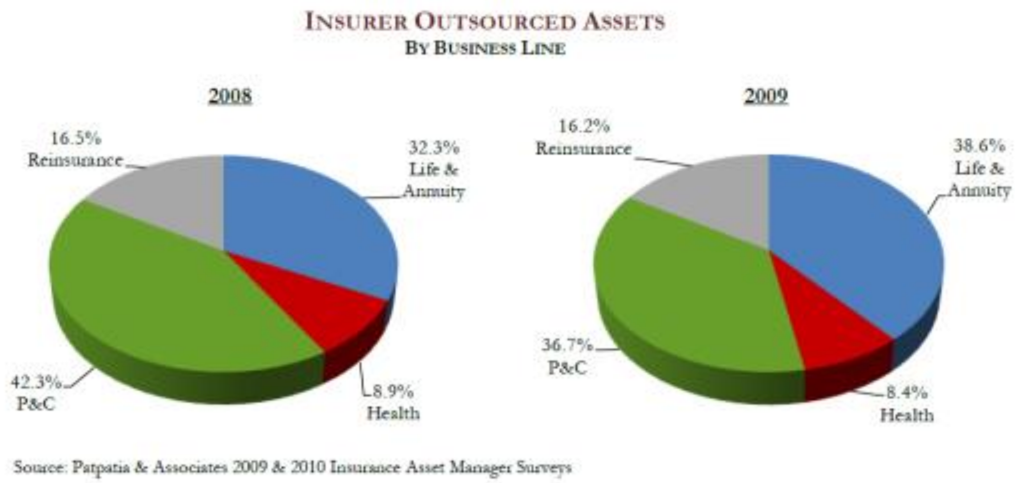
Any evaluation of the size and growth of external investment management used by the insurance industry is challenging, because there is no readily available central source for this information.

Even defining when an insurer is using an external manager can become complicated, especially when a corporate reorganization has taken place. For example, Lincoln Financial Group (Lincoln Financial) in 2010 sold its Delaware Investments subsidiary to Macquarie Group. Due to that transaction alone, the approximately $70 billion in general account assets of Lincoln Financial moved from being internally managed to being externally managed, without any change in the identity of the insurer's investment manager, and with only the ownership of the investment management operation having changed.

Figure 2 illustrates the growth of external investment management of insurance industry general accounts from 2006 to 2009. (Data for year-end 2010 is not yet available.) The amount of insurance company assets externally managed grew from $901 billion in 2006 to $1,225 billion in 2009, a substantial growth, in dollar terms, during a three-year period. In addition to the rapid growth in dollar terms, the percentage of the industry's assets managed externally also increased, from 21.7% in 2006 to 26.5% in 2009. According to the survey's sponsors, this increase in externally managed assets was primarily a result of an increase in insurers outsourcing their investment management requirements.

Composition of the Use of External Investment Management by Insurance Industry Segment

Figure 3



Source: IFI Insurance Asset Manager: Annual Survey 2010, World Trade Executive in affiliation with Patpatia & Associates, Inc.

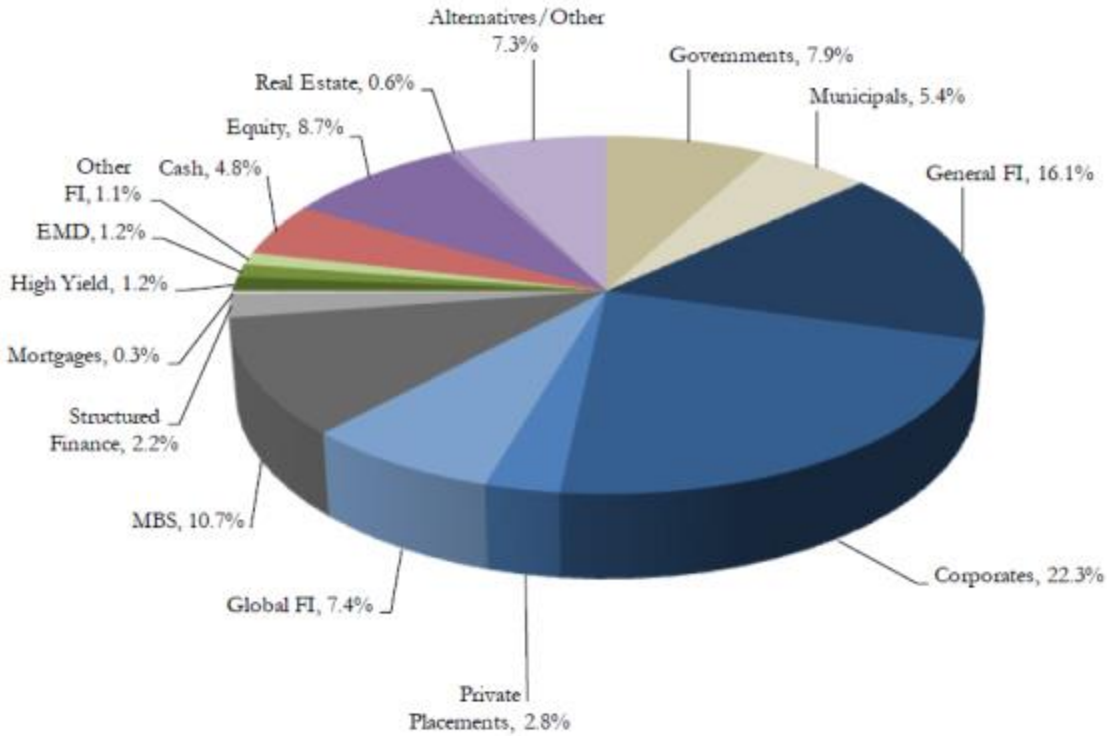
Figure 3 illustrates the distribution of the percentage of assets under external management by type of insurance company client. As of year-end 2009, external assets under management were fairly evenly distributed between life and annuity insurers and property/casualty insurers. Considerably smaller shares were associated with reinsurers and health insurers. The percentage of assets associated with life and annuity insurers has been growing, as some larger life insurance companies have begun using external managers in whole or in part. Two examples are Lincoln Financial, which has sold its internal investment group and now relies on a formerly affiliated, but now external, investment manager; and Pacific Life Insurance Company, which has hired PIMCO to manage a small portion of its assets. Life insurance companies typically have fairly large investment portfolios, so it takes a much larger number of property/casualty insurance clients to reach the same dollar amount of assets as would be reached from life insurers.

Types of Assets Managed

Figure 4 illustrates the extensive variety of types of assets managed by external insurance investment managers on behalf of their insurance company clients. As expected, corporate bonds are the largest segment by a considerable margin, with a 22% share. General fixed-income, which is presumably a blend of the other segments, is second-largest at 16%. The only other segment with more than a 10% share is mortgage-backed securities at 11%.

An advantage from the use of an external investment manager is that the insurer can select one or more managers having the specific investment specialist skills the insurer is seeking, such as high-yield, emerging markets or CMBS. There are not many managers that could be equally qualified in such an extensive list of investment specialties. Through the use of an external investment manager, the insurer can contract, as appropriate, with managers who have these specialist skills to round out the insurer’s investment portfolio.

Figure 4



Source: IFI Insurance Asset Manager: Annual Survey 2010, World Trade Executive in affiliation with Patpatia & Associates, Inc.

Differing Investment Management Objectives: Reported Income vs. Total Return

Each insurer has a wide range of possible investment management objectives for their portfolio. Most insurance companies, especially on the life side are yield-oriented, while some focus on total return.

Insurers that focus on long-term yield will typically have a target minimum yield needed to meet product pricing requirements, pay operational costs and earn the desired profit margin for the insurer's owners.

Alternatively, the insurer could express its investment objective as a target total return (reported income plus price change), typically as compared to the total return on a predefined investment benchmark. The investment benchmark could either be a standard market metric (such as a Barclays Capital fixed-income index) or, more likely, it would be a custom index designed to meet the insurer's investment requirements. The investment manager's objective is to then outperform the investment target, usually by a predefined margin, such as 50 basis points per annum. If the manager outperforms the index by as much or more than the specified margin while meeting the other constraints, the investment manager would be considered to have successfully managed the investment portfolio. However, most insurers have a strong bias to being yield-oriented, because they have specific requirements on the product side. Consequently, even in a total return oriented portfolio, the investment manager needs to remain appropriately focused on the portfolio's yield, if that is also an insurer objective.

Management and Regulatory Concerns Regarding the Investment Management Process

The outsourcing of an insurer's investment management does not relieve the insurer's management and board from any investment responsibilities. Despite the hiring of a presumably expert manager to manage the portfolio day-to-day, the insurer and its management still retain ultimate responsibility for ensuring that the portfolio is appropriately managed. As part of this process, the insurer must carefully select an investment manager(s) with appropriate skills, develop a clear and comprehensive investment management agreement, carefully monitor and supervise the vendor's efforts, and make sure that all necessary investment related activities take place when and how required. While much of the day-to-day operations of the investment management operation might be outsourced to the vendor, oversight of the process cannot be delegated to the manager.

To fulfill these responsibilities, the insurer's management needs a well-defined framework for initiating, reviewing, managing and terminating, if need be, the investment management agreement with an external manager, including each area discussed below.

The insurer's management should equally expect that insurance regulators also will carefully review during the examination process that each of these issues has been appropriately and fully addressed.

Investment manager credentials: A discussion regarding the credentials of the investment manager for the assignment, including a review of whether the manager has the appropriate personnel, skill, knowledge, background and operational systems in place to satisfy the contract's requirements and the insurer's investment expectations.

Fee arrangements: The appropriateness of the investment manager's fee arrangement needs to be carefully vetted, with careful attention paid to making sure that the fee arrangements are reasonable and not excessive; are calculated based on the fair market value of the portfolio, when appropriate; that the investment manager bears the costs of investment operations that are included as part of the investment management fee; that fees are clearly defined without the possibility of unexpected additional management fees for any reason; and that the fee arrangement does not give the manager a financial incentive to manage the portfolio in a less-than-appropriate manner. If the contracted primary manager subcontracts any part of the investment management effort to other investment managers, the sub-managers' fees should either be paid by the direct investment manager out of its fees; otherwise, the amount and treatment of the additional sub-manager fees should be clearly articulated in the investment advisory contract. Insurance company annual investment management fees for core fixed-income mandates are generally in the range of 10 to 25 basis points under management, with the largest insurers possibly even slightly below this range. Specialty mandates — such as actively managed portfolios, emerging markets, high yield and equities — will have substantially higher fees to reflect a higher level of required dedicated resources and value to the client.

Portfolio turnover: Mostinsurance portfolios, while they are actively managed, have modest turnover rates. Most insurance portfolios are managed on the margin, primarily through the allocation of new cash flow, with sales of existing holdings usually for specific reasons, such as credit concerns, duration management or the need for additional portfolio liquidity. It is our understanding that, in managing core fixed-income holding for insurers, portfolio turnover is generally in the range of 20% to 25% per year or less. If the insurer's portfolio exhibits excessive turnover rates (such as 25% or more per year), care should be taken to understand why this is happening and to evaluate if this turnover rate remains appropriate for the insurer. Higher turnover rates could be justified by specific reasons, such a more active management approach; changing tax positions; a requirement for enhanced liquidity at the company; the implementation of a new investment strategy; or other clearly defined explanations.

Gains stripping: Depending on the market environment, an insurance company can realize capital gains in its portfolio by selling securities. By doing so, the insurer can boost its policyholders' surplus and related metrics, such as its risk-based capital ratio and permitted dividends. However this might be at the expense of having a remaining investment portfolio with a significantly lower long-term yield. The interest maintenance reserve (IMR) helps safeguard against some of this. A pattern of excessive capital gains realization is likely to be a matter of great interest to regulators during the examination process.

Conflict management: There should be a clearly articulated policy of how the investment manager manages conflicts between different clients in a manner fair to all parties involved, especially if some clients are also affiliates of the investment manager. Appropriate conflict management is especially critical if the investment manager also has a securities broker-dealer affiliate that transacts business with the insurer at the investment manager's direction. Any transactions with the investment manager's affiliates must be documented to be in the insurer's best interest and executed at fair market levels.

Compliance and operational issues: The investment agreement should clearly articulate who assumes the primary responsibility for identifying and making sure that the company complies with all applicable rules and regulations, including those promulgated by insurance regulators.

Derivatives: Special care should be taken in managing and supervising derivatives transactions, given their sensitive nature. We would expect that, in many cases, external managers are not likely to get involved in derivatives management for a variety of reasons. For example, the use of derivatives is generally the domain of larger companies, while external management is mostly concentrated in the smaller and medium-size companies. However, if and when an external manager is involved with derivatives management for an insurer, it is vital that the program be carefully implemented and managed, and that it satisfies all regulatory requirements, such as the existence of a Derivatives Use Plan, a full set of compliance procedures and controls, and a robust financial reporting process that is able to monitor the program on a real time basis.

Company review of investment management process on a regular basis: There should be a clearly documented policy of how the insurer's management and its board reviews the appropriateness of the investment management process, including periodic written portfolio reviews that include a discussion of the portfolio's investment performance, its position relative to its investment guidelines and its risk position. Insurance regulators will undoubtedly want to inspect these reviews during their examination process.

Contract details: The investment management agreement should clearly articulate the specific responsibilities of the investment manager; the items for which the manager has assumed primary responsibility; the scope of services the manager has agreed to offer under the contract beyond routine investment management; and a statement that the investment manager has assumed a fiduciary responsibility for the insurer's investment portfolio under the investment management agreement.

Clearly defined disclaimed responsibilities: A clear discussion of what is, and is not, the responsibility of the investment manager is crucial. Also, there needs to be a clear identification of who is responsible for issues for which the investment manager has not assumed responsibility.

Coordination of the portfolio's overall investment management if there is more than one investment manager: Delineate by whom and how the insurer's overall portfolio will be coordinated if there is more than one investment manager involved in managing the insurer's portfolio.

Contract termination: A discussion of the investment manager's responsibilities during any interim period until a substitute investment manager is appointed, assuming successor management of the portfolio if the investment management agreement is terminated for any reason.

<u>Nature of the Investment Mandate</u>

Depending on the needs of the client, the external investment managers' mandate could be as narrow as a specific specialized asset class, such as CMBS, or as broad as the insurers' entire investment portfolio.

Small-size company (less than $250 million in assets): For a small company, there will most likely be a single external manager running the entire portfolio on a comprehensive basis. At this relationship size, it makes little economic sense to parcel out the portfolio to multiple managers. In this situation, the external manager will, in large part, operate as a substitute for the insurer's internal investment department, with the understanding that the ultimate responsibility for the insurer's investments remains with the insurer.

Medium-size company ($250 million to $3 billion – $5 billion in assets): Insurers of this size are generally sufficiently large enough that they could elect to segment their portfolio's management instead of having one manager for all of the company's assets. The company could elect to hire specialist managers (e.g., a high-yield specialist, a bank loan specialist, etc.) to manage specific asset classes. Alternatively, the company might hire several investment managers to oversee different portions of the portfolio, with each manager permitted to invest in the same asset classes.

However, the hiring of multiple managers greatly complicates the investment-oversight process for the insurer. With multiple managers in place, no single investment manager will have a holistic view of the portfolio. In such cases, the insurer will have to assume additional responsibility for making sure that the many investment complexities are being satisfactorily met, because none of the external managers will likely be in a position to do so.

Large-size company (more than $5 billion in assets): Most companies of this size will internally manage their portfolios, especially for core asset classes, such as corporate bonds. However, the insurer might also hire specialist investment managers to manage specific asset classes that require special expertise not believed worth developing and maintaining internally. Examples of asset classes often outsourced to external managers include short-term funds, partnerships, high-yield, bank loans and emerging markets. In some cases, a large insurer might also hire external manager(s) to serve as a benchmark for their internal investment managers and as a second information source regarding market developments and expectations.

Conclusion

There is no right or wrong answer when deciding whether the best approach for an insurer is the use of an internal investment manager, an external manager or a combination of the two. Large companies, especially life insurers, will tend to lean heavily toward the use of an internal manager. Smaller companies, as well as non-life companies, will tend to lean toward the use of external managers.

External managers offer certain capabilities that might not be economically feasible for an insurer to provide internally. Even some of the largest insurance companies could benefit from the specific asset class expertise that is offered by external asset managers.

However, when relying on an external investment manager, for all or part of the portfolio's management, the insurer must remain cognizant at all times that it retains the ultimate responsibility for the portfolio's management. The insurer must retain sufficient investment expertise, independent of the investment manager, to be able to review the appropriateness of the portfolio developed by the external manager and how well it is being managed in practice. This includes a well-documented and consistently applied portfolio review process.

The insurer can expect regulators to review the portfolio, its management and the manager review process as part of company's examination. A well-prepared company will be better equipped to respond to regulators' questions and concerns in a timely and comprehensive manner.

August 26, 2011

Major Insurer Share Prices

			Change %			Prior		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$35.54	2.3	(25.1)	(37.0)	$34.74	$47.43	$56.43
	Ameriprise	43.45	11.0	(25.6)	(24.5)	39.14	58.39	57.55
	Genworth	6.51	3.7	(38.4)	(50.5)	6.28	10.56	13.14
	Lincoln	19.29	(1.3)	(33.8)	(30.6)	19.54	29.15	27.81
	MetLife	31.46	0.6	(29.1)	(29.2)	31.27	44.38	44.44
	Principal	23.67	9.0	(23.3)	(27.3)	21.71	30.87	32.56
	Protective	17.91	3.0	(24.0)	(32.8)	17.38	23.56	26.64
	Prudential	47.56	1.7	(26.6)	(19.0)	46.76	64.77	58.71
	UNUM	22.75	4.5	(12.3)	(6.1)	21.76	25.94	24.22
PC	ACE	$62.40	3.6	(5.8)	0.2	$60.21	$66.26	$62.25
	Axis Capital	26.79	(3.3)	(13.9)	(25.3)	27.70	31.13	35.88
	Allstate	24.45	0.0	(20.9)	(23.3)	24.44	30.90	31.88
	Arch Capital	32.66	0.7	0.3	11.3	32.43	32.56	29.35
	Cincinnati	26.58	3.5	(9.8)	(16.1)	25.69	29.47	31.69
	Chubb	59.38	0.7	(5.8)	(0.4)	58.98	63.03	59.64
	Everest Re	77.66	(1.3)	(5.1)	(8.4)	78.67	81.80	84.82
	Progressive	18.24	4.1	(14.9)	(8.2)	17.53	21.44	19.87
	Travelers	48.30	(2.7)	(18.3)	(13.3)	49.64	59.11	55.71
	WR Berkley	29.77	3.2	(9.1)	8.7	28.85	32.75	27.38
	XL	19.27	2.4	(13.6)	(11.7)	18.82	22.30	21.82
Other	AON	$46.04	3.7	(11.0)	0.1	$44.41	$51.71	$46.01
	AIG	23.26	4.5	(22.4)	(51.8)	22.26	29.98	48.27
	Assurant	33.41	1.9	(8.8)	(13.3)	32.80	36.64	38.52
	Fidelity National	15.95	0.6	(0.3)	16.6	15.86	16.00	13.68
	Hartford	17.19	(3.7)	(36.5)	(35.1)	17.85	27.05	26.49
	Marsh	29.06	6.1	(7.9)	6.3	27.39	31.54	27.34
Health	Aetna	$38.23	7.5	(15.5)	25.3	$35.57	$45.23	$30.51
	Cigna	44.86	7.4	(14.1)	22.4	41.75	52.20	36.66
	Humana	73.29	5.0	(11.8)	33.9	69.83	83.12	54.74
	United	45.72	5.4	(13.9)	26.6	43.36	53.13	36.11
	WellPoint	60.43	3.6	(25.2)	6.3	58.33	80.79	56.86
Monoline	Assured	$13.19	14.3	(21.6)	(25.5)	$11.54	$16.82	$17.70
	MBIA	7.10	12.0	(21.7)	(40.8)	6.34	9.07	11.99
	MGIC	2.46	30.9	(59.7)	(75.9)	1.88	6.10	10.19
	PMI	0.25	(21.2)	(77.4)	(92.4)	0.32	1.11	3.30
	Radian	2.96	31.0	(30.7)	(63.3)	2.26	4.27	8.07
	XL Capital	19.27	2.4	(13.6)	(11.7)	18.82	22.30	21.82

August 26, 2011 Major Market Variables	Close	Change % Week	QTD	YTD	Prior Week	Quarter	Year
Dow Jones Ind	11,284.54	4.3	(10.3)	(2.5)	10,817.65	12,582.77	11,577.51
S&P 500	1,176.80	4.7	(12.2)	(6.4)	1,123.53	1,339.67	1,257.64
S&P Financial	171.82	5.4	(18.4)	(20.0)	163.04	210.45	214.77
S&P Insurance	156.92	2.3	(17.0)	(16.6)	153.40	189.06	188.22
US Dollar $		Change %			Prior		
/ Euro	$1.45	0.7	(0.2)	8.3	$1.44	$1.45	$1.34
/ Crude Oil bbl	85.37	3.4	(10.1)	(7.4)	82.55	94.94	92.22
/ Gold oz	1,794.10	(2.8)	21.0	26.3	1,846.70	1,482.60	1,420.78
Treasury Ylds %	%	Change			%	%	%
1 Year	0.09	0.00	(0.11)	(0.19)	0.09	0.19	0.27
10 Year	2.19	0.13	(0.99)	(1.10)	2.07	3.18	3.30
30 Year	3.54	0.15	(0.86)	(0.80)	3.39	4.39	4.34
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	113.76	10.7	48.2	33.8	102.79	76.76	85.00

August 26, 2011
Major Insurer Bond Yields

	Company	Coupon	Maturity	Price			Spread	
				Current	Change	Yield	B.P.	Change
Life	Aflac	8.500%	5/15/2019	$126.09	($2.80)	4.45%	271	41
	Ameriprise	5.300%	3/15/2020	$112.88	($0.94)	3.54%	168	11
	Genworth	6.515%	5/15/2018	$91.42	$0.31	8.20%	671	(1)
	Lincoln National	8.750%	7/15/2019	$125.33	($2.86)	4.82%	298	28
	MassMutual	8.875%	6/15/2039	$149.31	($9.35)	5.42%	204	41
	MetLife	4.750%	2/15/2021	$105.53	($1.96)	4.04%	198	20
	Mutual of Omaha	6.800%	6/15/2036	$111.75	($6.79)	5.89%	279	49
	New York Life	6.750%	11/15/2039	$123.82	($4.96)	5.14%	171	27
	Northwestern Mutual	6.063%	3/15/2040	$121.00	$4.29	4.72%	113	(38)
	Pacific Life	9.250%	6/15/2039	$133.96	($13.94)	6.57%	322	74
	Principal	6.050%	10/15/2036	$110.52	($3.53)	5.29%	209	14
	Prudential	4.500%	11/15/2020	$102.89	($0.65)	4.12%	211	8
	TIAA	6.850%	12/15/2039	$123.36	($1.53)	5.25%	187	10
P&C	ACE INA	5.900%	6/15/2019	$118.49	($0.18)	3.19%	149	11
	Allstate	7.450%	5/15/2019	$123.04	($2.40)	3.95%	229	33
	American Financial	9.875%	6/15/2019	$128.07	($1.66)	5.40%	372	42
	Berkshire Hathaway	5.400%	5/15/2018	$115.81	$0.94	2.79%	133	(10)
	Travelers	3.900%	11/15/2020	$102.05	($0.52)	3.63%	166	8
	XL Group	6.250%	5/15/2027	$104.46	($1.38)	5.81%	329	14
Other	AON	5.000%	9/15/2020	$107.82	($0.75)	3.96%	192	2
	AIG	5.850%	1/15/2018	$102.69	($0.82)	5.34%	397	24
	Fidelity National	7.875%	7/15/2020	$104.63	($2.13)	7.16%	565	47
	Hartford	5.500%	3/15/2020	$103.09	($2.34)	5.05%	323	37
	Marsh	9.250%	4/15/2019	$132.50	($1.15)	4.21%	249	6
	Nationwide	9.375%	8/15/1939	$123.77	($12.55)	7.36%	403	81
Health	Aetna	3.950%	9/15/2020	$104.00	($1.30)	3.43%	151	20
	CIGNA	5.125%	6/15/2020	$111.88	($1.97)	3.54%	158	23
	United Healthcare	3.875%	10/15/2020	$105.78	$0.78	3.14%	122	(12)
	Wellpoint	4.350%	8/15/2020	$106.81	$0.36	3.46%	156	(5)

Questions and comments are always welcome. Please contact the Capital Markets Bureau at **CapitalMarkets@naic.org**.