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An Update of the Insurance Industry's Derivatives Exposure

On June 10, 2011, the NAIC Capital Markets Bureau published a report titled, "Insights into the Insurance Industry's Derivatives Exposure," which analyzed insurance companies' derivatives holdings at year-end 2010. Although the insurance industry's investment in derivatives in terms of book/adjusted carrying value (BACV) is quite small (\$86.3 billion, or less than 2% of \$5.2 trillion in total cash and invested assets at the end of 2011), the notional amount of that investment was almost \$1.4 trillion. In addition, insurers' primary use of derivatives for hedging purposes (94.7% of notional amount held) makes it an important investment strategy to watch. This special report reviews U.S. insurers' derivatives holdings at year-end 2011, in comparison with the industry's exposure at year-end 2010, highlighting any trends or changes.

A Recap of Derivatives Reporting by Insurers

As previously written in the above-mentioned June 2011 special report, derivative instruments' holdings and activity are reported in Schedule DB of insurance companies' quarterly and annual financial statements. In 2010, Schedule DB was revised to be more streamlined and yet to provide more detailed and useful information regarding an insurance company's derivatives exposure and activity. Further enhancements were adopted in August 2012 to be effective for 2013 reporting. Part A of Schedule DB provides positions and activity in options, caps, floors, collars, swaps and forwards. Exposure to, and activity in, futures contracts are reported in Part B. Part C provides positions and activity in replication (synthetic asset) transactions. And, finally, counterparty exposure is reported in Part D.

In general, insurance companies use derivative instruments to manage and mitigate a variety of risks. As of Dec. 31, 2011, a total of 274 insurance companies participated in the derivatives market. Of this number, 152 were life insurance companies, 99 were property/casualty (P&C) insurance companies, 19 were health insurance companies and four were fraternal insurance companies. Insurance companies with derivatives exposure were domiciled in 45 jurisdictions, with New York, Michigan, Connecticut, Massachusetts and Iowa holding the largest notional amounts. Furthermore, there were approximately 60,500 individual derivative positions across the insurance industry. The average position size was approximately \$22.8 million in notional value, and the largest single position was \$4.9 billion in notional value. This large derivative position was a Consumer Price Index (CPI)-linked hedge set up by a P&C insurance company to manage a macroeconomic risk of consumer prices falling in a downturn.

Insurance Industry's Derivatives Holdings

As of year-end 2011, the notional value of derivatives — i.e., options, caps, floors, collars, swaps and forwards reported in Part A of Schedule DB and futures reported in Part B of Schedule DB — held by the insurance industry totaled almost \$1.4 trillion. This was a substantial 28.1% increase compared to year-end 2010, when the insurance industry held almost \$1.1 trillion in notional value of derivatives. According to statistics compiled by the Bank for International Settlement (BIS), the total notional amount outstanding of all derivatives (both over-the counter (OTC) and exchange-traded) worldwide as of Dec. 31, 2011, was \$704.3

trillion. The insurance industry's derivatives holdings are merely a fraction (0.20%) of the overall market.

Within the insurance industry, life insurance companies are the primary users of derivative instruments, representing 95.8% of the total notional value outstanding at the end of 2011, at \$1.32 trillion (Table 1A). This represents a 29.8% increase from \$1.02 trillion in notional amount of derivatives held by the life industry at the end of 2010 (Table 1B). Meanwhile, P&C insurance companies, which account for a 4.1% share of the notional amount held by the insurance industry, decreased their derivatives holdings by 1.9% from \$57 billion to \$56 billion year-over-year, making it somewhat of an outlier among the other insurer types that increased their derivatives holdings between 2010 and 2011. Health and fraternal insurers accounted for minute (0.06% and 0.04%) shares of the overall industry's derivatives holdings in both years; nevertheless, both industry types increased their total notional amounts held by 39.7% and 28.5%, respectively, year-over-year. Title insurance companies had no derivatives exposure in either 2010 or 2011.

The type of derivative contract most widely used by insurance companies is swaps, which represented a notional value of \$796.7 billion (or 57.8%) of the insurance industry's derivatives holdings as of year-end 2011. Options represented the second-largest type of derivative held, accounting for a notional value of \$489.5 billion (or 35.5%) of the derivatives holdings. Futures and forwards contributed \$57 billion (or 4.1%) and \$35.1 billion (or 2.5%), respectively.

Table 1A: 2011 Insurance Industry Derivatives Holdings by Derivative Type

Notional Value (\$)	Swaps	Options	Futures	Forwards	Total	% of Total
Life	776,519,910,436	453,739,889,212	56,714,008,707	34,008,782,721	1,320,982,591,076	95.8%
Property & Casualty	19,419,028,250	35,316,285,930	284,341,821	945,453,896	55,965,109,897	4.1%
Health	679,750,000	9,027,800	11,566,000	170,096,235	870,440,035	0.06%
Fraternal	119,786,865	462,200,000	479,400	-	582,466,265	0.04%
TOTAL	796,738,475,551	489,527,402,942	57,010,395,928	35,124,332,852	1,378,400,607,273	100.0%
% of Total	57.8%	35.5%	4.1%	2.5%	100.0%	

Table 1B: 2010 Insurance Industry Derivatives Holdings by Derivative Type

Notional Value (\$)	Swaps	Options	Futures	Forwards	Total	% of Total
Life	590,660,830,759	354,319,561,952	46,801,925,907	25,987,271,152	1,017,769,589,770	94.6%
Property & Casualty	27,817,967,439	27,403,476,039	413,888,295	1,391,931,085	57,027,262,858	5.3%
Health	610,394,881	386,490	12,252,311	-	623,033,682	0.06%
Fraternal	87,933,597	365,160,292	207,700	-	453,301,589	0.04%
TOTAL	619,177,126,676	382,088,584,773	47,228,274,213	27,379,202,237	1,075,873,187,899	100.0%
% of Total	57.6%	35.5%	4.4%	2.5%	100.0%	

Insurance Industry's Use of Derivatives for Hedging

Insurance companies use derivatives to implement various investment and portfolio strategies, such as hedging, replicating assets and generating income. As illustrated in Table 2, the primary use of derivatives in the insurance industry is hedging, with 94.7% of derivatives holdings at year-end 2011 used for hedging risk; this represents an increase from 90.1% at year-end 2010. However, the "other" use/purpose category decreased considerably, from 7.7% at year-end 2010 to 3% at year-end 2011, leading us to believe that the increase in the 2011 hedging category is likely due to better reporting/categorization of the derivatives' purpose by the insurers. Still, "other" was the second-largest derivatives' use/purpose category in 2011, followed by replication (that is, synthetic creation of an otherwise permissible investment) at 2.3% and income generation at 0.02%. Derivative transactions in the "other" category might also have been used for hedging purposes, but might not have fit within the strict definition of hedging under the statutory accounting framework.

Table 2: 2011 Insurance Industry Derivatives Holdings by Purpose/Strategy

Notional Value (\$)	Income				Total	% of Total
	Hedging	Replication	Generation	Other		
Life	1,257,948,800,492	30,232,522,169	2,213,450	32,799,054,965	1,320,982,591,076	95.8%
Property & Casualty	45,546,084,290	1,811,357,583	215,844,912	8,391,823,112	55,965,109,897	4.1%
Health	713,027,800	-	-	157,412,235	870,440,035	0.1%
Fraternal	582,466,265	-	-	-	582,466,265	0.04%
TOTAL	1,304,790,378,847	32,043,879,752	218,058,362	41,348,290,312	1,378,400,607,273	100.0%
% of Total	94.7%	2.3%	0.02%	3.0%	100.0%	

As with overall derivatives holdings, swaps and purchased options are the primary derivative instruments utilized by insurers to hedge various risks, as illustrated in Table 3.

Table 3: 2011 Insurance Industry Derivatives Holdings by Derivative Type and Purpose/Strategy

Notional Value (\$)	Income				Total	% of Total
	Hedging	Replication	Generation	Other		
Swaps	754,309,503,373	31,862,885,842	-	10,566,086,336	796,738,475,551	57.8%
Purchased Options	425,020,305,077	147,642,240	105,530,151	25,717,349,998	450,990,827,466	32.7%
Futures	53,357,834,102	33,351,670	20,000	3,619,190,156	57,010,395,928	4.1%
Written Options	37,661,270,276	-	19,180,850	856,124,350	38,536,575,476	2.8%
Forwards	34,441,466,019	-	93,327,361	589,539,472	35,124,332,852	2.5%
TOTAL	1,304,790,378,847	32,043,879,752	218,058,362	41,348,290,312	1,378,400,607,273	100.0%

Table 4 provides a breakdown of the insurance industry's exposure to swap derivatives by type of contract and type of insurer. Although fraternal insurance companies did not participate in the swaps derivatives market in 2010, they did get involved in 2011, albeit to a limited extent and only in foreign exchange swaps. Interest rate swaps are the most commonly used swap derivative (79.4% of all swaps held by insurance companies), followed by foreign exchange swaps (8%) and credit default swaps (5.7%). Similar to the overall derivatives holdings, life insurance companies dominated the holdings of swaps, with a 97.5% share at year-end 2011.

Table 4: 2011 Insurance Industry Swaps Holdings by Type of Contract

Notional Value (\$)	Property & Casualty				Total	% of Total
	Life	Health	Fraternal	Other		
Interest Rate	625,035,240,658	6,905,723,761	549,650,000	-	632,490,614,419	79.4%
Foreign Exchange	61,896,849,983	1,556,994,422	-	119,786,865	63,573,631,270	8.0%
Credit Default	39,451,276,479	5,606,926,437	30,100,000	-	45,088,302,916	5.7%
Total return	22,373,775,381	5,349,383,630	-	-	27,723,159,011	3.5%
Other	27,762,767,935	-	100,000,000	-	27,862,767,935	3.5%
TOTAL	776,519,910,436	19,419,028,250	679,750,000	119,786,865	796,738,475,551	100.0%
% of Total	97.5%	2.4%	0.09%	0.02%	100.0%	

As Table 5 illustrates, hedging was the primary use for interest rate swaps, currency swaps and total return swaps, representing 94.7% of swaps derivatives holdings at year-end 2011; for credit default swaps (CDS), replication was the primary use, with hedging as a not-too-distant secondary use. In 2011, insurers entered into \$5 billion in interest rate swaps for replication; in 2010, however, only credit default and total return swaps were used for replication. In 2011 and 2010, no swaps of any type were reported to be used for income generation.

Table 5: 2011 Insurance Industry Swaps Holdings by Type of Contract and Purpose/Strategy

Notional Value (\$)	Hedging	Replication	Income		Total	% of Total
			Generation	Other		
Interest Rate	622,272,998,554	5,220,000,000	-	4,997,615,865	632,490,614,419	79.4%
Foreign Exchange	62,146,137,360	-	-	1,427,493,910	63,573,631,270	8.0%
Credit Default	19,170,588,832	25,138,379,873	-	779,334,211	45,088,302,916	5.7%
Total return	25,662,715,165	1,504,505,969	-	555,937,877	27,723,159,011	3.5%
Other	25,057,063,462	-	-	2,805,704,473	27,862,767,935	3.5%
TOTAL	754,309,503,373	31,862,885,842	-	10,566,086,336	796,738,475,551	100.0%
% of Total	94.7%	4.0%	0.0%	1.3%	100.0%	

CDS Exposure

As of year-end 2011, the notional value of CDS held by the insurance industry totaled \$45.1 billion. This was a 6.8% increase from \$42.2 billion in notional value of CDS at year-end 2010. According to a market survey conducted by the International Swaps and Derivatives Association (ISDA), the total notional amount outstanding of CDS as of year-end 2011 was \$25.9 trillion. The insurance industry's exposure to CDS is merely a fraction (0.17%) of the overall CDS market. Interestingly, the 6.8% year-over-year growth in CDS holdings for the insurance industry contrasts the overall CDS market's year-over-year 6.5% decline from \$27.7 trillion as of Dec. 31, 2010. Life insurance and P&C insurance companies were the main participants in the CDS market in 2011; health insurance companies did not participate in 2010, but had small holdings (only \$30 million) at year-end 2011, while fraternal and title insurance companies did not participate at all.

In the CDS market, buying protection refers to reducing credit risk, and selling (or writing) protection refers to assuming credit risk. Table 6 illustrates that, for year-end 2011, \$31.1 billion (or 69%) of the \$45.1 billion in insurance industry CDS exposure was to sell protection or assume credit risk. The remaining balance was to buy protection for a certain credit risk. In comparison, in the previous year, sold protection accounted for \$24.9 billion (or 59%) of the \$42.2 billion year-end 2010 CDS holdings. This absolute and relative increase in sold protection coincides with a shift in holding CDS more for replication use rather than hedging — a reverse from 2010, when the primary use of CDS was for hedging. Credit risk is typically hedged by buying protection on a specific entity or on a specified index. In a replication transaction that involves CDS, credit risk is often assumed.

Table 6: 2011 Insurance Industry CDS Holdings

Notional Value (\$)	Buy Protection	Sell Protection	Total
Life	11,553,869,959	27,897,406,520	39,451,276,479
Property & Casualty	2,451,580,236	3,155,346,201	5,606,926,437
Health	15,050,000	15,050,000	30,100,000
TOTAL	14,020,500,195	31,067,802,721	45,088,302,916
% of Total	31.1%	68.9%	100.0%

With the changes to Schedule DB that were implemented in 2010, hedges are classified as either "hedging effective" or "hedging other." According to the *Statement of Statutory Accounting Principles (SSAP) No. 86—Accounting for Derivative Instruments and Hedging, Income Generation, and Replication (Synthetic Asset) Transactions*, a hedge generally is considered highly effective when "the change in fair value of the derivative hedging instrument is within 80 to 125 percent of the opposite change in fair value of the hedged item attributable to the hedged risk." A hedge can also be designated as effective "when an R-squared of .80 or higher is achieved when using a regression analysis technique." Hedge effectiveness must be calculated and documented at the inception of the hedge and then monitored on a quarterly basis. It is typically expressed as a percentage. Insurance companies report hedge effectiveness at these

two points in time on Schedule DB for each derivative position that is considered an effective hedge. In instances where hedge effectiveness cannot be specifically calculated, insurance companies will disclose the financial or economic impact of the hedge in the footnotes of Schedule DB.

Given the strict criteria and the extensive documentation required, many hedges might not be deemed effective for accounting purposes but still provide strategic value. If a derivative instrument is entered into for hedging purposes, but the transaction does not qualify as an effective hedge as defined above, the hedge would be reported as “hedging other” in Schedule DB. Derivatives in the “hedging other” category still have the intended effect of managing and reducing risk, but simply do not meet the accounting and documentation requirements.

As of Dec. 31, 2011, 94.7% (or \$1.3 trillion in notional value) of the insurance industry’s total derivatives holdings was used for hedging purposes (Table 7). The vast majority (or 88.5%) of these holdings was categorized as “hedging other” and the remaining balance was classified as “hedging effective.” The overwhelming amount of hedges categorized as “hedging other,” as opposed to “hedging effective,” is likely a function of the corresponding reporting and monitoring requirements. Swaps represented \$754 billion (or 57.8%) of the insurance industry’s derivatives exposure as of year-end 2011, and options represented \$425 billion (or 32.6%).

Table 7: 2011 Insurance Industry Derivatives Holdings for Hedging Purposes by Derivative Type

<i>Notional Value (\$)</i>	<i>Hedging Effective</i>	<i>Hedging Other</i>	<i>Total</i>	<i>% of Total</i>
Swaps	120,792,451,979	633,517,051,394	754,309,503,373	57.8%
Purchased Options	26,060,075,208	398,960,229,869	425,020,305,077	32.6%
Futures	86,514,631	53,304,671,141	53,391,185,772	4.1%
Written Options	57,359,625	37,603,910,651	37,661,270,276	2.9%
Forwards	2,728,170,324	31,713,295,695	34,441,466,019	2.6%
TOTAL	149,724,571,767	1,155,099,158,750	1,304,823,730,517	100.0%
% of Total	11.5%	88.5%	100.0%	

The insurance industry uses derivatives to hedge various risks. Some examples of risks that are hedged include interest rate risk, credit risk, currency risk and equity-related risk. Table 8 illustrates that the most common risk hedged by the insurance industry is interest rate risk; 67.4% of the total notional value of derivatives held for hedging purposes are used in mitigating risks resulting from volatility in interest rates. Insurance companies’ invested assets portfolios are exposed to interest rate risk, as they are large buyers of fixed-income instruments, which are highly sensitive to movements in interest rates. Notably, some insurers increased their interest rate hedging activity in recent years to protect their reinvestment rates in a low-interest-rate environment following the 2008 financial crisis.

Equity risk is the second-most common risk that the insurance industry hedges with derivatives. Insurance companies face equity risk as a result of the sale of certain products, such as variable annuities that offer guaranteed minimum withdrawal or income benefits. Other risks that are hedged with derivative instruments include foreign currency risk and credit risk.

Table 8: 2011 Insurance Industry Derivatives Holdings for Hedging Purposes by Risk

<i>Notional Value (\$)</i>	<i>Hedging Effective</i>	<i>Hedging Other</i>	<i>Total</i>	<i>% of Total</i>
Interest Rate Risk	88,063,330,113	791,788,190,405	879,851,520,518	67.4%
Equity Risk	30,204,943,042	205,613,018,320	235,817,961,362	18.1%
Foreign Currency Risk	26,080,426,450	69,932,830,930	96,013,257,380	7.4%
Credit Risk	5,325,872,162	63,489,814,249	68,815,686,411	5.3%
Other	50,000,000	24,275,304,846	24,325,304,846	1.9%
TOTAL	149,724,571,767	1,155,099,158,750	1,304,823,730,517	100.0%

Type
Insurance Industry’s Counterparty Exposure

Counterparty risk is the risk faced by a party that the other party will not satisfy the obligations of a derivatives contract. Insurance companies face counterparty risk primarily when entering into derivatives contracts that are traded OTC, such as options, swaps and forwards. Although futures are traded through exchanges and cleared through a central clearinghouse, counterparty risk still exists but is considered to be minimal.

Large financial institutions are typically the most common counterparties in the derivatives market. According to a report published by the Office of the Comptroller of the Currency based on data for the fourth quarter of 2011, “derivatives activity in the U.S. banking system continues to be dominated by a small group of large financial institutions. Five large commercial banks represent 96% of the total banking industry notional amounts and 86% of industry net current credit exposure.” U.S.-based financial institutions that actively participate in the derivatives market are JP Morgan, Citigroup, Bank of America Merrill Lynch, Goldman Sachs and Morgan Stanley. Non-U.S. financial institutions — such as Deutsche Bank, Credit Suisse, Barclays, BNP Paribas and UBS — also are active participants in the derivatives market.

Table 10 summarizes exposure in notional value to the 10 counterparties mentioned above. Similar to the derivatives market in general, counterparty exposure in the insurance industry is concentrated in a small number of financial institutions. The 10 counterparties listed in Table 10 represent 74.3% of the notional value outstanding in the insurance industry as of year-end 2011. Just as it was in 2010, Deutsche Bank was the largest counterparty to the insurance industry, representing 11.2% of the industry’s total notional value outstanding as of year-end 2011. Credit Suisse and Goldman Sachs were the second- and third-largest counterparties, with 8.6% and 8.4%, respectively, of the notional value outstanding; in 2010, JP Morgan and Barclays were the second- and third-largest counterparties. Notably, we would expect the counterparty risk to change going forward when certain OTC derivatives begin to settle through centralized clearinghouses, a requirement of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act.

Table 10: 2011 Insurance Industry Exposure to Top 10 Counterparties

Notional Value (\$)	Property &				Total	% of Total
	Life	Casualty	Health	Fraternal		
Deutsche Bank	144,007,562,001	9,886,012,135	106,500,000	-	154,000,074,136	11.2%
Credit Suisse	117,183,600,106	1,343,338,254	400,000	-	118,527,338,360	8.6%
Goldman Sachs	111,366,483,072	3,739,446,149	-	300,000,000	115,405,929,221	8.4%
Barclays	107,877,940,036	1,583,962,195	11,000,000	-	109,472,902,231	7.9%
JP Morgan	100,927,724,272	5,144,432,122	19,100,000	63,107,507	106,154,363,901	7.7%
Citigroup	74,741,895,721	23,889,181,678	75,000,000	23,871,108	98,729,948,507	7.2%
BNP Paribas	95,307,462,536	50,000,000	-	-	95,357,462,536	6.9%
Bank of America Merrill Lynch	91,888,379,164	2,425,534,435	-	48,334,750	94,362,248,349	6.8%
Morgan Stanley	84,432,694,243	1,734,000,000	-	-	86,166,694,243	6.3%
UBS	44,464,649,034	1,692,089,786	-	-	46,156,738,820	3.3%
TOTAL	972,198,390,185	51,487,996,754	212,000,000	435,313,365	1,024,333,700,304	74.3%

Summary

Although the insurance industry’s investment in derivatives in terms of book/adjusted carrying value is quite small, the notional amount of that investment remains quite large and growing, making it an important investment strategy to watch. The NAIC Capital Markets Bureau will continue to monitor trends surrounding the derivatives market and its impact on insurance industry investments. We will report on any developments as deemed appropriate.

January 7, 2013								
Major Insurer Share Prices		Close	Change %			Prior		
			Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	\$51.84	(2.0)	(2.0)	(2.0)	\$52.89	\$52.89	\$52.89
	Ameriprise	65.25	4.5	4.5	4.5	62.45	62.45	62.45
	Genworth	8.33	11.2	11.2	11.2	7.49	7.49	7.49
	Lincoln	27.80	7.9	7.9	7.9	25.77	25.77	25.77
	MetLife	35.79	9.2	9.2	9.2	32.76	32.76	32.76
	Principal	29.07	2.4	2.4	2.4	28.38	28.38	28.38
	Protective	29.98	5.3	5.3	5.3	28.47	28.47	28.47
	Prudential	55.79	5.1	5.1	5.1	53.09	53.09	53.09
	UNUM	21.77	5.0	5.0	5.0	20.73	20.73	20.73
PC	ACE	\$81.32	2.3	2.3	2.3	\$79.50	\$79.50	\$79.50
	Axis Capital	35.70	3.6	3.6	3.6	34.46	34.46	34.46
	Allstate	41.74	4.2	4.2	4.2	40.05	40.05	40.05
	Arch Capital	44.19	0.8	0.8	0.8	43.82	43.82	43.82
	Cincinnati	40.30	3.5	3.5	3.5	38.95	38.95	38.95
	Chubb	77.21	2.9	2.9	2.9	75.01	75.01	75.01
	Everest Re	110.91	1.1	1.1	1.1	109.67	109.67	109.67
	Progressive	22.02	4.8	4.8	4.8	21.01	21.01	21.01
	Travelers	73.06	2.1	2.1	2.1	71.53	71.53	71.53
	WR Berkley	39.01	3.8	3.8	3.8	37.59	37.59	37.59
	XL	25.97	4.1	4.1	4.1	24.94	24.94	24.94
Other	AON	\$56.80	2.5	2.5	2.5	\$55.41	\$55.41	\$55.41
	AIG	35.93	1.8	1.8	1.8	35.28	35.28	35.28
	Assurant	35.17	2.0	2.0	2.0	34.48	34.48	34.48
	Fidelity National	24.56	4.2	4.2	4.2	23.58	23.58	23.58
	Hartford	24.21	8.1	8.1	8.1	22.39	22.39	22.39
	Marsh	35.31	3.0	3.0	3.0	34.30	34.30	34.30
Health	Aetna	\$46.16	(0.0)	(0.0)	(0.0)	\$46.17	\$46.17	\$46.17
	Cigna	54.94	3.1	3.1	3.1	53.29	53.29	53.29
	Humana	67.28	(1.7)	(1.7)	(1.7)	68.43	68.43	68.43
	United	52.09	(3.8)	(3.8)	(3.8)	54.12	54.12	54.12
	WellPoint	59.74	(1.6)	(1.6)	(1.6)	60.73	60.73	60.73
Monoline	Assured	\$15.26	8.1	8.1	8.1	\$14.12	\$14.12	\$14.12
	MBLA	8.66	9.3	9.3	9.3	7.92	7.92	7.92
	MGIC	3.10	14.8	14.8	14.8	2.70	2.70	2.70
	Radian	6.34	3.1	3.1	3.1	6.15	6.15	6.15
	XL Capital	25.97	4.1	4.1	4.1	24.94	24.94	24.94

January 7, 2013								
Major Market Variables		Close	Change %			Prior		
			Week	QTD	YTD	Week	Quarter	Year
Dow Jones Ind		13,384.29	2.2	2.2	2.2	13,099.80	13,099.80	13,099.80
S&P 500		1,461.89	2.8	2.8	2.8	1,422.10	1,422.10	1,422.10
S&P Financial		229.34	3.7	3.7	3.7	221.17	221.17	221.17
S&P Insurance		206.83	3.6	3.6	3.6	199.67	199.67	199.67
US Dollar \$			Change %			Prior		
	/ Euro	\$1.31	(0.6)	(0.6)	(0.6)	\$1.32	\$1.32	\$1.32
	/ Crude Oil bbl	93.20	1.7	1.7	1.7	91.62	91.62	91.62
/ Gold oz	1,647.30	(1.6)	(1.6)	(1.6)	1,673.70	1,673.70	1,673.70	
Treasury Ylds %		%	Change bp			%	%	%
	1 Year	0.14	(0.00)	(0.00)	(0.00)	0.14	0.14	0.14
	10 Year	1.90	0.14	0.14	0.14	1.76	1.76	1.76
	30 Year	3.10	0.15	0.15	0.15	2.95	2.95	2.95
Corp Credit Spreads -bp			Change %			Prior		
	CDX.IG	52.27	(8.4)	(8.4)	(8.4)	57.04	57.04	57.04

January 7, 2013									
Major Insurer Bond Yields				Weekly Change					YTD
Company		Coupon	Maturity	Price			Spread		Spread
				Current	Change	Yield	B.P.	Change	Change
Life	Aflac	8.500%	5/15/2019	\$136.19	\$0.08	2.33%	112	(16)	(16)
	Ameriprise	5.300%	3/15/2020	\$118.21	(\$0.35)	2.51%	114	(4)	(4)
	Genworth	6.515%	5/15/2018	\$109.42	\$1.50	4.52%	350	(40)	(40)
	Lincoln National	8.750%	7/15/2019	\$134.20	\$0.34	2.92%	166	(18)	(18)
	MassMutual	8.875%	6/15/2039	\$152.80	\$2.35	5.18%	221	(27)	(27)
	MetLife	4.750%	2/15/2021	\$115.50	(\$0.51)	2.61%	101	(7)	(7)
	Mutual of Omaha	6.800%	6/15/2036	\$124.01	\$0.06	5.04%	230	(15)	(15)
	New York Life	6.750%	11/15/2039	\$135.41	(\$0.64)	4.47%	151	(12)	(12)
	Northwestern Mutual	6.063%	3/15/2040	\$127.39	(\$1.30)	4.34%	135	(10)	(10)
	Pacific Life	9.250%	6/15/2039	\$144.04	\$3.19	5.93%	301	(30)	(30)
	Principal	6.050%	10/15/2036	\$121.66	(\$1.38)	4.55%	178	(4)	(4)
	Prudential	4.500%	11/15/2020	\$111.54	(\$0.14)	2.85%	131	(10)	(10)
	TIAA	6.850%	12/15/2039	\$135.46	(\$0.28)	4.55%	159	(11)	(11)
P&C	ACE INA	5.900%	6/15/2019	\$123.46	(\$0.56)	2.00%	75	(2)	(2)
	Allstate	7.450%	5/15/2019	\$131.16	\$0.09	2.17%	97	(14)	(14)
	American Financial	9.875%	6/15/2019	\$130.35	(\$0.75)	4.40%	308	(4)	(4)
	Berkshire Hathaway	5.400%	5/15/2018	\$119.97	(\$0.10)	1.50%	54	(8)	(8)
	Travelers	3.900%	11/15/2020	\$112.42	(\$0.81)	2.16%	61	(4)	(4)
	XL Group	6.250%	5/15/2027	\$117.70	(\$0.64)	4.55%	233	(8)	(8)
Other	AON	5.000%	9/15/2020	\$114.25	(\$0.98)	2.92%	136	4	4
	AIG	5.850%	1/15/2018	\$118.36	\$0.06	1.99%	111	(9)	(9)
	Fidelity National	7.875%	7/15/2020	\$131.13	\$4.38	-1.12%	(209)	(77)	(77)
	Hartford	5.500%	3/15/2020	\$115.96	\$0.15	3.02%	158	(15)	(15)
	Marsh	9.250%	4/15/2019	\$134.60	(\$0.42)	3.12%	189	(7)	(7)
	Nationwide	9.375%	8/15/2039	\$144.55	\$1.31	6.00%	297	(24)	(24)
Health	Aetna	3.950%	9/15/2020	\$108.57	(\$0.82)	2.70%	117	(3)	(3)
	CIGNA	5.125%	6/15/2020	\$114.84	(\$0.78)	2.89%	143	(0)	(0)
	United Healthcare	3.875%	10/15/2020	\$110.17	(\$0.43)	2.43%	88	(8)	(8)
	Wellpoint	4.350%	8/15/2020	\$110.42	(\$0.44)	2.82%	129	(8)	(8)

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

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