Capital Markets Special Report

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**

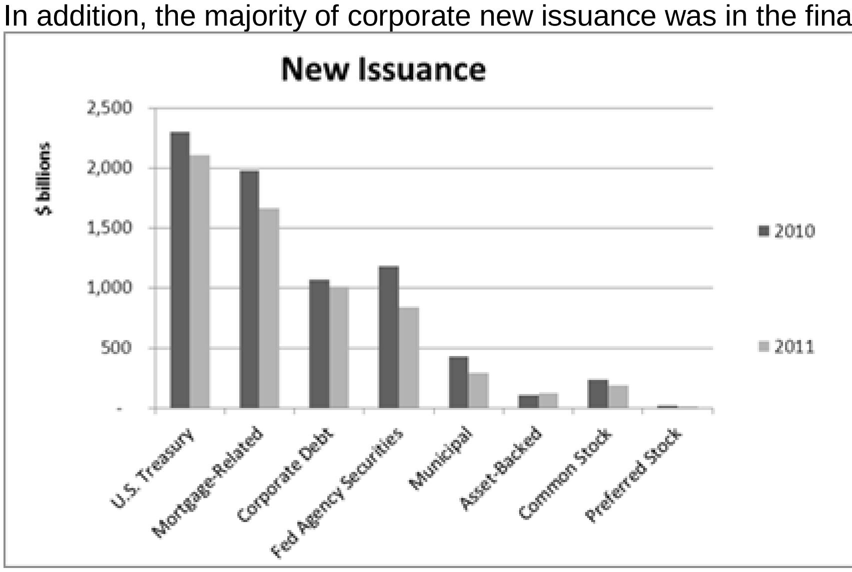
Part 2 of 2: U.S. Insurance Industry Investment Acquisitions and Dispositions – Continued - "Reaching for Yield" Analysis

In our previous report, titled "Part 1 of 2: Insurance Industry Investment Acquisitions and Dispositions – Reaching for Yield?" dated August 2012, we found evidence that, based on the eight quarters ended Dec. 31, 2011, the U.S. insurance industry has not assumed additional risk to achieve higher yields. That is, among other findings, insurers net acquired mostly corporate bonds, and they net disposed below investment grade bonds in both 2010 and 2011.

In this Part 2, for the same eight quarters ended Dec. 31, 2011, relative to the industry's acquisitions and dispositions, we analyzed the par value weighted average coupon of bonds, bond maturity dates, a corporate bond industry breakdown and the largest foreign country investments. This more granular analysis further supports our conclusion that U.S. insurers did not assume a substantial amount of additional risk to achieve higher investment yields.

Capital Markets New Issuance

According to the Securities Industry Financial Markets Association (SIFMA) there has been an overall decrease in capital markets new issuance from 2010 to 2011. Corporate bond issuance (both investment grade and high yield) remained, nonetheless, a large source of new debt. Coincidentally, as we previously reported, corporate bonds have been the largest bond type acquired by the insurance industry. According to SIFMA's quarterly and year-end 2011 report, overall corporate debt new issuance was $1.0 trillion in 2011, which was a 3.9% decrease from 2010. Investment grade debt in particular was flat year-over-year, whereas high-yield bond new issuance decreased 15.8% year-over-year, to $222.1 billion in 2011 from $263.7 billion in 2010. In addition, the majority of corporate new issuance was in the financial sector for both years.



Source: Thomson Reuters, SIFMA, Bloomberg, Dealogic, U.S. Treasury Department, Federal National Mortgage Association, Federal Home Loan Mortgage Corp., Government National Mortgage Association.

Weighted Average Coupon

In our analysis of the par value weighted average coupon of all bond types acquired and disposed in the eight quarter periods ending Dec. 31, 2011, we observed that there was a small decrease in the coupon rates of bonds acquired compared to the coupon rates of bonds disposed in both 2010 and 2011, which was consistent with the general downward trends in the U.S. Treasury yield curve rates.

In 2010, the weighted average coupon for all bonds acquired was 4.5%, while the average coupon from bonds disposed was 5%. In comparison, the yield on the generic 10-year U.S. Treasury was 3.29% as of year-end 2010. In 2011, the average coupon for bonds acquired was 4%, while the average coupon for bonds disposed was 4.6%. In comparison, the yield on the 10-year U.S. Treasury was 1.88% as of year-end 2011. Note that bond dispositions not only include bonds sold, but also prepayments and redemptions. Based on the weighted average coupon rates coinciding with the bond types acquired for the eight quarters ended Dec. 31, 2011, insurers do not appear to be taking on unnecessary risk to achieve higher yields. Specific to corporate bonds, the weighted average coupon for acquisitions decreased from 5.2% in 2010 to 4.7% in 2011; the weighted average coupon for corporate bond dispositions decreased from 5.9% in 2010 to 5.6% in 2011. Note that corporate bonds were the largest bond type for both acquisitions and dispositions based on our previous study.

Weighted Average Coupon	2010 Acquisitions	2011 Acquisitions		2010 Dispositions	2011 Dispositions
Corporate	5.2%	4.7%		5.9%	5.6%
U.S. Government	2.8%	2.3%		3.5%	2.8%
Agency RMBS	4.3%	4.1%		5.2%	4.9%
ABS/CDO/CLO	2.9%	2.4%		3.5%	3.1%
Foreign Government	3.6%	2.9%		4.8%	3.3%
Municipal bonds	5.1%	4.9%		5.0%	4.9%
Non-Agency CMBS	5.3%	4.8%		5.3%	5.2%
Non-aAgency RMBS	4.2%	3.6%		4.3%	3.8%
Total	4.5%	4.0%		5.0%	4.6%

In comparing the weighted average coupon of bonds acquired to bonds disposed, insurers generally disposed higher coupon bonds in exchange for lower coupon bonds. In part, this reflects the current low interest rate environment, where bonds available for acquisition tended to have lower coupon rates than those disposed. In general, the low coupons could be a function of the current interest rate environment combined with insurance companies investing in investment-grade quality bonds, which tend to have lower coupons than their below investment-grade counterparts. This could also be due to insurers realizing capital gains on their bond investments. Additionally, this trend could be due to insurers adjusting the convexity profile of their investment portfolio. (Convexity is a measure of the sensitivity of the **duration** of a **bond** to changes in **interest rates**; it reflects the relationship between a bond's price and its yield.) Bonds with greater convexity are less affected by interest rates than bonds with less convexity. Also, bonds with greater convexity will have a higher price than bonds with a lower convexity, regardless of whether interest rates rise or fall.

Weighted Average Maturity

We reviewed the weighted average maturity dates of the industry's acquisitions and dispositions as a proxy for duration (which is the measure of sensitivity of the price of a fixed-income investment to a change in interest rates). Note that the weighted average maturity dates might be skewed somewhat given the legal final maturity dates of certain investments — such as structured securities, particularly residential mortgage-backed securities (RMBS) — are typically much longer (i.e., 30 years) than other bond investments (which generally have a legal final maturity of 10 years). Given the different asset-liability profiles by the type of insurance company, we separated the weighted maturity date analysis into two groups: life and health; and property/casualty (P/C), title and fraternal. Life and health companies generally invest in longer-term maturity bonds to match their longer-term liabilities. These two insurance company types were responsible for almost 70% of bonds acquired and disposed in 2010 and 2011. P/C, title and fraternal insurance companies generally have shorter-term liabilities, and, therefore, invest in shorter-term bonds.

For the overall U.S. insurance industry, we found that the weighted average maturity for bond acquisitions was 15.4 years in 2010 and 14.9 years in 2011, and the weighted average maturity for dispositions was 13.6 years in 2010 compared to 9.5 years in 2011. In our previous report, we noted that dispositions of private label RMBS were 3.3% and 2.4% of total bond dispositions as of year-end 2010 and 2011, respectively. Note that, due to the long-term maturity dates of these asset types, the higher percentage of private label RMBS dispositions in 2010 vs. 2011 likely contributed to the higher weighted average maturity of dispositions in 2010 vs. 2011.

In addition, 10.6% and 14.3% of dispositions in 2010 and 2011, respectively, were due to bonds maturing.

Life and Health Companies

For life and health companies on a year-end basis, not surprisingly, the largest acquisitions were bonds that have long-term maturities; that is, bonds maturing in more than 20 years. In part, this is due to insurers largely being "buy and hold" investors, as well as complying with their asset-liability matching strategy. Long term bonds were 35.9% of the total acquired in 2010 and 35.3% in 2011, as shown in the table below. In addition, long-term bonds represented the majority of life and health companies' acquisitions in each of the eight quarters ended Dec. 31, 2011. Our analysis also showed that the weighted average coupon for long-term bonds acquired by life and health companies was 4.1% in 2010 and 3.8% in 2011.

	2010	2011
<5 years	10.1%	10.6%
5 to 9 years	23.3%	22.4%
10 to 14 years	23.4%	24.9%
15 to 19 years	5.9%	5.5%
>=20 years	**35.9%**	**35.3%**
N/A	1.4%	1.3%
Total	100.0%	100.0%

Maturity Date – Acquisitions – Life and Health Companies*

*As a percentage of total life and health companies.

In terms of dispositions, the majority of activity for life and health companies was with short-term bonds; that is, those maturing in less than five years. Short-term bonds were 52% of total bond dispositions in 2010 vs. 44% in 2011. Approximately 10% and 14% of dispositions in 2010 and 2011, respectively, for life and health companies were due to maturing bonds. The weighted average coupon of short-term bond dispositions was 4% in 2010 and 3.8% in 2011 for life and health companies.

Maturity Date – Dispositions – Life and Health Companies*

	2010	2011
<5 years	**52.0%**	**44.0%**
5 to 9 years	20.5%	19.8%
10 to 14 years	4.4%	6.2%
15 to 19 years	3.3%	5.3%
>=20 years	19.8%	24.5%
N/A	0.1%	0.2%
Total	100.0%	100.0%

*As a percentage of total life and health companies.

On a net basis for life and health companies, the largest amount of net acquisitions for both year-end 2010 and year-end 2011 was in bonds with 10- to 14-year maturities. Note that there was an even larger net disposition of short-term bonds. We suspect that a reasonable amount of these bonds included those that matured rather than bonds sold or prepaid.

	2010	2011
<5 years	(144.3)	(153.1)
5 to 9 years	45.3	36.3
10 to 14 years	121.6	118.1
15 to 19 years	14.7	6.8
>=20 years	83.4	89.8
N/A	8.9	6.9
Total	**129.6**	**104.9**

Maturity Date – Net $billions – Life and Health Companies

Property/Casualty, Title and Fraternal Companies

Given the shorter-term nature of the liabilities of P/C, title and fraternal companies compared to their life and health company counterparts, the assets, consequently, are also shorter-term with respect to maturity. As such, it is not surprising that the largest bond acquisitions for these three company types was in bonds having five- to nine-year maturities, which on a year-end basis, were at 29.6% and 30.1% of total bonds acquired in 2010 and 2011, respectively. The weighted average coupon for bonds acquired with five- to nine-year maturities was 3.9% and 3.6% in 2010 and 2011, respectively, for P/C, title and fraternal companies.

Maturity Date – Acquisitions – Property/Casualty, Title and Fraternal Companies

	2010	2011
<5 years	19.5%	19.5%
5 to 9 years	**29.6%**	**30.1%**
10 to 14 years	19.6%	19.4%
15 to 19 years	7.9%	6.4%
>=20 years	22.8%	24.1%
N/A	0.6%	0.5%
Total	100.0%	100.0%

The largest dispositions for P/C, title and fraternal companies was with short-term bonds, which were approximately half of all bond dispositions in 2010 and 2011. Approximately 11.7% and 14.7% of P/C, title and fraternal companies' dispositions in 2010 and 2011, respectively, were due to maturing bonds. And the weighted average coupon for these bonds was 4% and 3.9% as of year-end 2010 and 2011, respectively.

Maturity Date – Dispositions – Property/Casualty, Title and Fraternal Companies

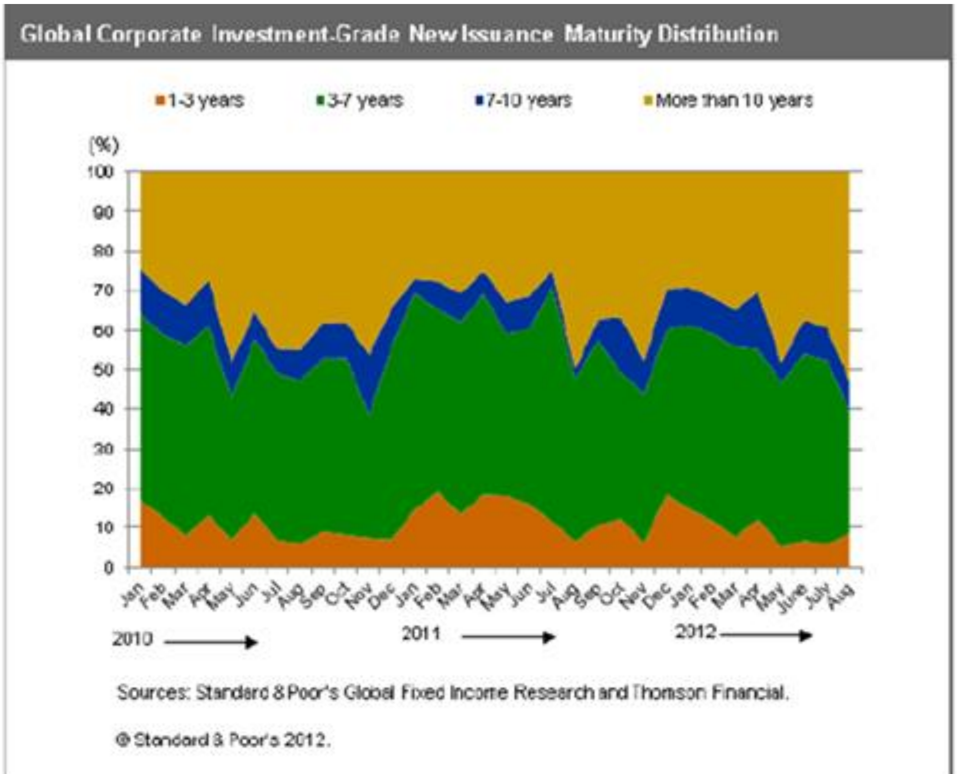
	2010	2011
<5 years	**40.8%**	**51.5%**
5 to 9 years	18.0%	20.9%
10 to 14 years	10.9%	6.4%
15 to 19 years	6.5%	3.6%
>=20 years	23.7%	17.5%
N/A	0.1%	0.1%
Total	100.0%	100.0%

On a total net basis for each of the eight quarters ended Dec. 31, 2011, P/C, title and fraternal companies were mostly net acquirers of bonds, give or take a few exceptions. Overall, the net dollar amount of acquisitions decreased 17% from 2010 to 2011. As shown in the table below, the three company types net disposed of short-term bonds in both years.

Maturity Date – Net $ billions – Property & Casualty, Title and Fraternal

	2010	2011
<5 years	(56.2)	(85.6)
5 to 9 years	35.8	28.5
10 to 14 years	26.8	37.8
15 to 19 years	5.1	8.3
>=20 years	0.6	20.8
N/A	1.4	1.3
Total	13.6	11.3

In September 2012, Standard & Poor's Global Fixed Income Research published a report showing the trend in maturity distribution of global corporate bond new issuance. As shown in the graph below, a substantial amount of debt issued since January 2010 had maturity dates of three to seven years, as well as maturity dates exceeding 10 years. This coincides with the insurance industry's acquisitions of bonds primarily with maturities of more than 20 years, as well as bonds with maturities between five to nine years. In addition, according to Thomson Reuters/SIFMA data, the average maturity of new corporate bond issuance was 13 years in both 2010 and 2011.



Corporate Bond Industries

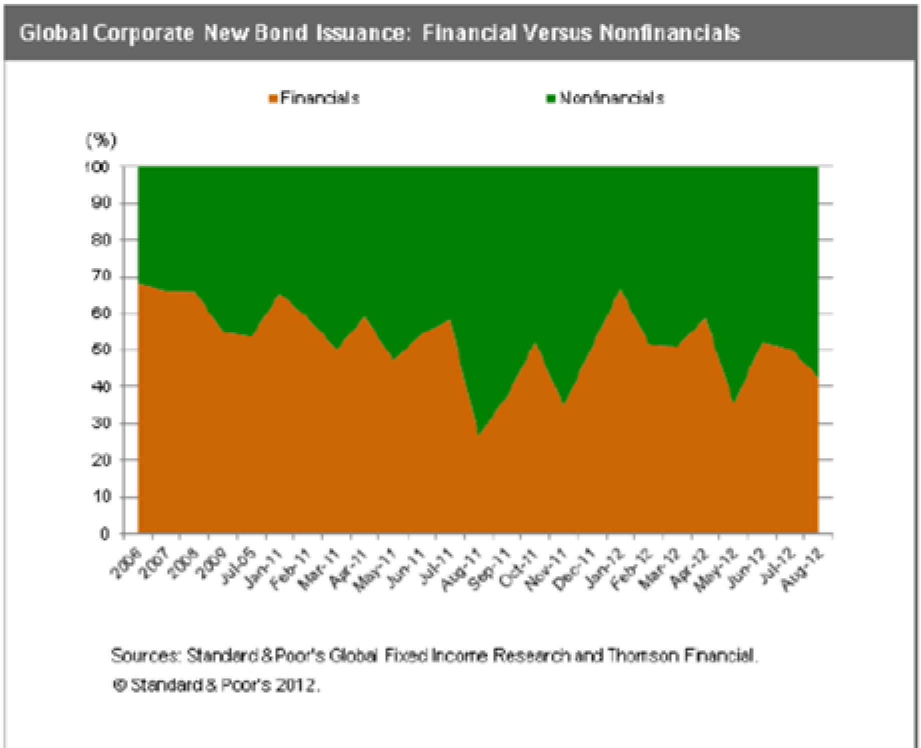
Certain industries are more frequent bond issuers than others, thereby influencing available debt in the primary, or new issue, market. Our analysis of whether the insurance industry sought additional yield in exchange for increased risk included identifying the largest corporate bond sectors that were acquired, disposed and net acquired/disposed during the eight quarters ended Dec. 31, 2011.

In terms of acquisitions, in both 2010 and 2011, banks and finance-related, oil and gas, and consumer products were the three largest industries, respectively, in which bonds were acquired by the U.S. insurance industry. In 2010, banks and finance-related industries were almost 24% of total acquisitions, and they were 22.2% of total acquisitions in 2011. This may be due to the tendency for banking and finance-related bonds to comprise about half of all global corporate bond new issuance.

Corporate Bond Industry Breakdown - Acquisitions (% of total cost)

Top 5 industries	2010	2011	YOY chg
Banks and finance-related	23.5%	22.2%	-1.2
Oil & Gas	11.9%	12.5%	0.6
Consumer Products	10.2%	8.5%	-1.7
Healthcare/Pharmaceuticals/Biotech	8.1%	7.9%	-0.2
Electric & Water	9.0%	7.1%	-1.9

According to research published by Standard & Poor's, financial companies have historically been frequent issuers in the primary market, and, therefore, represent a significant part of total new bond issuance.



Banking/finance-related, oil and gas, and consumer products were also the three largest industries in which insurers disposed corporate bonds in 2010 and 2011. Banking/finance-related bond dispositions were approximately 27% in both 2010 and 2011.

Corporate Bond Industry Breakdown - Dispositions (% of total consideration)

Top 5 industries	2010	2011	YOY chg
Banks and finance-related	27.7%	27.2%	-0.6
Oil & Gas	11.8%	10.4%	-1.4
Consumer Products	9.2%	9.8%	0.6
Electric & Water	8.0%	8.0%	0.0
Telecommunications	7.4%	6.4%	-1.0

On a net basis, the industry decreased its net acquisition of banking/finance-related bonds by 5.4 percentage points year-over-year, while increasing its net acquisition in oil and gas by more than 6 percentage points. Likely the net decrease in the banking/finance sector is due to ongoing concerns within this industry stemming from the financial crisis. The net increase in oil and gas investments may be related to an increase in funding needs within this sector along with improved earnings.

Corporate Bond Industry Breakdown – Top Five Industries- Net Acquisitions/Dispositions

Top 5 industries	2010	2011	YOY chg
Oil & Gas	12.1%	18.5%	6.4
Healthcare/Pharmaceuticals/Biotech	14.7%	12.6%	-2.1
Commercial Products	8.6%	9.7%	1.2
Mining	5.9%	9.6%	3.7
Banks and finance-related	13.9%	8.5%	-5.4

Foreign Exposures

Our study also analyzed foreign bonds acquired, disposed and net acquisition/disposition for the eight quarters ended Dec. 31, 2011, excluding the United Kingdom (UK) and Canada. Historically, the UK and Canada have comprised the majority of the industry's foreign investments, which is why they were excluded from this study.

In terms of acquisitions, the largest investment was in Japan in both 2010 and 2011, followed by Australia and the Cayman Islands. Note that the Cayman Islands are often employed as a domicile for structured securities issuance for tax purposes. The risk in these situations is not related to the Cayman Islands. The same is true for many structured securities issued out of Bermuda and Ireland.

With regard to foreign bonds disposed in 2010, the largest country was the Netherlands at almost 13% of total foreign dispositions, but, in 2011, Japanese bonds comprised the largest dispositions, at 22.8% of the total.

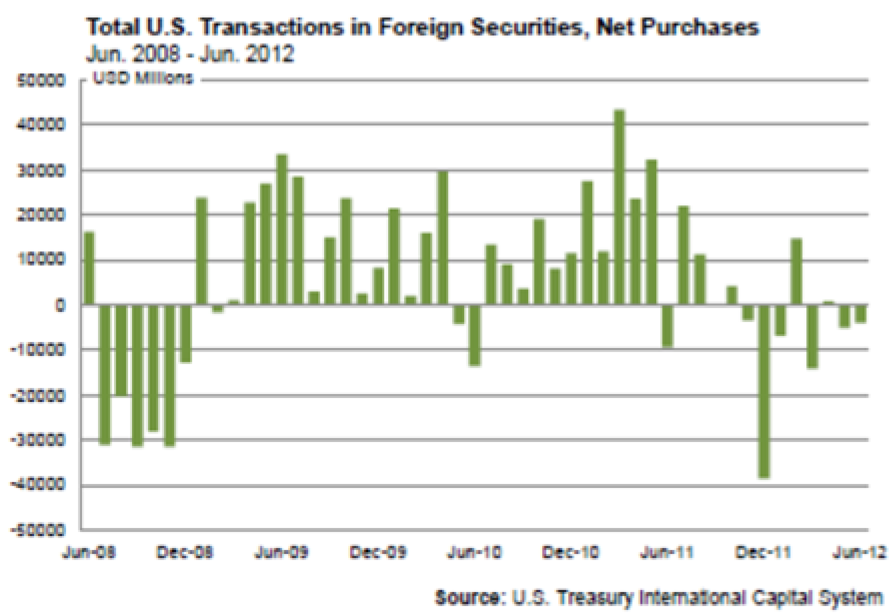
Foreign bond net acquisitions totaled $36.1 billion in 2010 and $47.4 billion in 2011, representing a 32% increase. Year over year, there was an increase in net acquisition of Japanese bonds by 9.7 percentage points and a net disposition of Cayman Islands bonds at almost 6 percentage points. The latter may be due to an increase in the redemption or sale of certain structured finance investments. In general, a net increase in acquisitions of these particular foreign bonds of developed countries may be due in part to investors seeking value outside the U.S.'s low interest rate environment.

Net Foreign Bonds Acquisition (% of total foreign bond acquisitions less dispositions)*

Country	2010	2011	YOY Change
Australia	21.7%	22.5%	0.8
Japan	18.6%	28.3%	9.7
Cayman Islands	15.5%	9.9%	-5.6
Top 3 Total	55.8%	60.7%	
Other	44.2%	39.4%	
Total	100.0%	100.0%	

*Excludes United Kingdom and Canada.

As the graph below shows, for most months in 2010, the U.S. net purchased foreign securities. In 2011, there were about three months where net purchases were negative, particularly in December 2011. This is most likely attributable to the Eurozone crisis that developed and spread, thereby making an investment in European bonds unattractive.



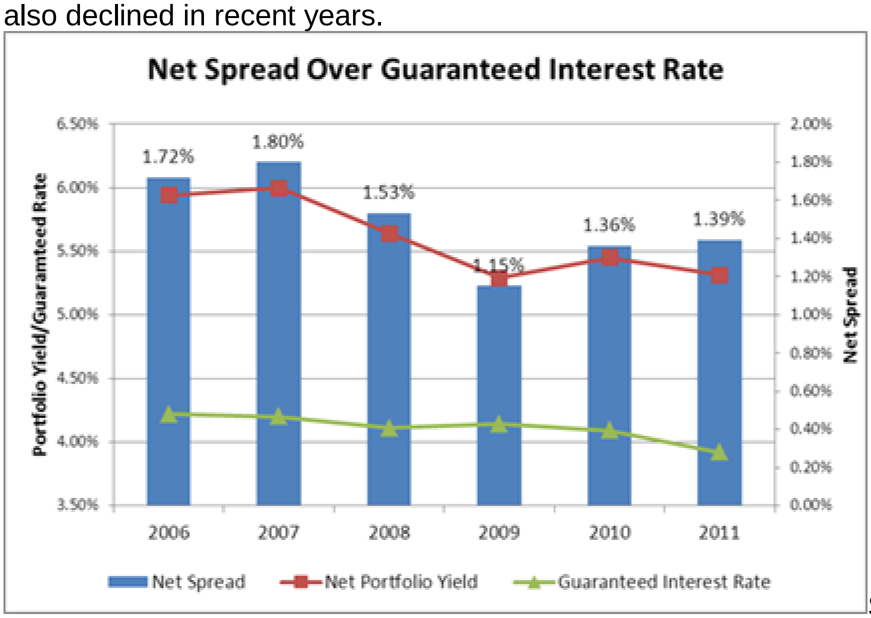
Continued Low Interest Rate Implications for Insurers

Since mid-2011, economic recovery in the U.S. slowed, and the Eurozone crisis intensified. Consequently, investor appetite for risk halted. In 2012, the Federal Reserve decided to keep the Fed funds rate (the rate at which banks borrow from each other) at no more than 0.25% through mid-2015. As a result, insurance companies will face lower returns on their investments going forward. The Federal Reserve's strategy of keeping rates low is to stimulate a still weak U.S. economy and continue to lower the unemployment rate, which was 7.9% as of October 2012.

A survey of insurance company chief investment officers (in which 152 global insurance companies representing $3.8 trillion in assets participated) was conducted by Goldman Sachs Asset Management in May 2012. According to the survey, the "…prolonged low-yield environment [is] the greatest investment risk to their portfolios." Within the survey respondents, 26% stated that they expect to increase overall investment risk, while 14% expect to reduce risk. Particularly, insurers surveyed stated that they expect to increase allocations to high-yield corporate bonds, investment-grade corporate bonds and real estate investments, while they expect to decrease cash/short-term investments and exposure to European financial credits.

According to a PricewaterhouseCoopers (PwC) insurance industry report published in early 2012, continued low interest rates will eventually cause insurer revenues to decline, and insurers might become aggressive, seeking ways to reduce expenses to maintain margins. One way insurers might address this, as PWC suggested in its report, is by extending the maturities of their investments (preferably not beyond the maturities of their liabilities), as well as increasing credit risk.

Data generated by the NAIC Center for Insurance Policy and Research showed that, between 2006 and 2011, insurer portfolio yields decreased from about 6.1% (in 2006) to a low of 5.3% in 2009 and were approximately 5.55% in 2011 (see graph below). The net spread of the portfolio yield over the guaranteed interest rate on the portfolios ranged from a high of 1.8% in 2007 to a low of 1.15% in 2008. In 2011, the net spread of the portfolio yield over the guaranteed interest rate was 1.39%, lending comfort that, despite the persistent low interest rate environment, insurers' investment yields have still comfortably exceeded guaranteed payouts, which have also declined in recent years.



Source: NAIC Center for Insurance Policy and Research.

According to a Standard & Poor's research article, insurance companies are exposed to interest rate risks given their exposure to predominantly fixed-income assets. The research article also noted that many insurance companies have developed enterprise risk-management programs to mitigate interest rate risk. For example, duration matching, where interest rate sensitivity of assets is matched to those of liabilities, is important, but cash flow matching is equally important. In addition, the Bank of International Settlements' quarterly review dated September 2012 pointed out that the low yields from government securities is stimulating investors to seek relatively higher yields by moving into corporate bonds, high-yield bonds and emerging market bonds.

Summary

Based on our current study of coupon rates, bond maturities, corporate bond sectors and foreign investments for the eight quarters ended Dec. 31, 2011, we did not observe insurance companies taking on significant additional risks to achieve higher yields in this low interest rate environment. For the most part, the coupon rate of bonds acquired has been relatively low regardless of maturity, perhaps due in part to the Federal Reserve's low interest rate policy to stimulate the U.S. economy. The maturity dates of bonds acquired and disposed generally align with the respective asset-liability matching based on the five insurance company types (life, health, property/casualty, fraternal and title), as well as with the trend of new bond issuance — particularly with respect to corporate bonds. In terms of corporate industries, oil and gas was the largest industry on a net acquisition basis, with a 6.4 percentage point increase from 2010 to 2011; the largest net disposition was with banks and finance-related corporate bonds, with a 5.4 percentage point decrease from 2010 to 2011. Additionally, insurers have been net investing in foreign countries with strong established economies, such as Japan and Australia.

To the extent insurers make changes to their investment programs and add risk, they will not significantly change the overall portfolio mix of assets, given that their annual net acquisitions/dispositions are only a small fraction of their overall asset holdings. That is, they might tweak the portfolios, but the portfolio mix will not be overhauled.

The Capital Markets Bureau will continue to monitor and report any changes in the investment activities of insurers toward reaching for yield, particularly as the low interest rate environment is expected to continue.

December 7, 2012								
Major Insurer Share Prices			**Change %**			**Prior**		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$53.42	3.8	24.8	23.5	$51.44	$42.81	$43.26
	Ameriprise	62.18	4.1	18.9	25.3	59.74	52.29	49.64
	Genworth	6.62	18.9	15.9	1.1	5.57	5.71	6.55
	Lincoln	25.67	6.1	20.1	32.2	24.20	21.38	19.42
	MetLife	32.80	2.4	7.2	5.2	32.02	30.60	31.18
	Principal	27.70	3.7	6.1	12.6	26.70	26.11	24.60
	Protective	26.95	5.8	(8.4)	19.5	25.48	29.43	22.56
	Prudential	52.43	5.3	8.8	4.6	49.81	48.21	50.12
	UNUM	20.76	4.9	7.2	(1.5)	19.78	19.37	21.07
PC	ACE	$80.97	3.5	8.9	15.5	$78.20	$74.35	$70.12
	Axis Capital	35.93	4.1	7.5	12.4	34.50	33.43	31.96
	Allstate	41.40	4.3	17.7	51.0	39.68	35.17	27.41
	Arch Capital	44.66	3.5	11.7	20.0	43.17	40.00	37.23
	Cincinnati	40.48	2.1	5.6	32.9	39.63	38.34	30.46
	Chubb	77.56	1.9	6.2	12.0	76.14	73.06	69.22
	Everest Re	108.72	4.7	3.6	29.3	103.83	104.94	84.09
	Progressive	21.52	0.2	4.1	10.3	21.47	20.66	19.51
	Travelers	73.33	5.5	14.7	23.9	69.54	63.95	59.17
	WR Berkley	39.82	1.6	1.3	15.8	39.20	39.30	34.39
	XL	24.95	3.4	18.6	26.2	24.12	21.03	19.77
Other	AON	$56.69	0.6	19.7	21.1	$56.35	$47.35	$46.80
	AIG	33.90	4.7	6.7	46.1	32.39	31.78	23.20
	Assurant	34.60	(0.0)	(0.7)	(15.7)	34.61	34.84	41.06
	Fidelity National	23.38	2.1	21.1	46.8	22.90	19.31	15.93
	Hartford	21.72	4.1	24.8	33.7	20.86	17.41	16.25
	Marsh	35.11	0.1	8.1	11.0	35.08	32.48	31.62
Health	Aetna	$44.34	6.3	15.1	5.1	$41.71	$38.53	$42.19
	Cigna	52.80	1.7	23.0	25.7	51.90	42.92	42.00
	Humana	66.37	(0.9)	(13.4)	(24.2)	66.95	76.66	87.61
	United	53.54	1.2	(4.7)	5.6	52.91	56.17	50.68
	WellPoint	57.54	2.9	(7.7)	(13.2)	55.94	62.31	66.25
Monoline	Assured	$14.50	13.0	3.3	10.4	$12.83	$14.03	$13.14
	MBIA	8.40	17.6	(22.9)	(27.5)	7.14	10.89	11.59
	MGIC	1.99	18.5	(32.2)	(46.6)	1.68	2.94	3.73
	Radian	4.74	9.7	39.8	102.6	4.32	3.39	2.34
	XL Capital	24.95	3.4	18.6	26.2	24.12	21.03	19.77

December 7, 2012								
Major Market Variables			**Change %**			**Prior**		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Dow Jones Ind		13,124.30	2.6	2.0	7.4	12,795.96	12,871.39	12,217.56
S&P 500		1,415.33	2.1	3.8	12.5	1,386.89	1,363.98	1,257.60
S&P Financial		214.66	2.6	8.2	22.5	209.13	198.44	175.23
S&P Insurance		198.10	2.5	8.7	16.4	193.35	182.21	170.17
US Dollar $			**Change %**			**Prior**		
	/ Euro	$1.29	0.9	2.8	(0.2)	$1.28	$1.26	$1.30
	/ Crude Oil bbl	86.07	(3.6)	2.9	(12.9)	89.28	83.62	98.83
	/ Gold oz	1,700.80	(1.9)	6.4	8.6	1,734.40	1,598.90	1,566.80
Treasury Ylds %		%	**Change bp**			%	%	%
	1 Year	0.17	(0.01)	(0.04)	0.06	0.17	0.20	0.11
	10 Year	1.63	0.01	0.04	(0.25)	1.62	1.59	1.88
	30 Year	2.82	0.05	0.12	(0.08)	2.76	2.70	2.90
Corp Credit Spreads -bp			**Change %**			**Prior**		
	CDX.IG	60.21	(13.9)	(28.3)	(47.1)	69.91	83.99	113.83

December 7, 2012									
Major Insurer Bond Yields				Weekly Change					
				Price			Spread		
	Company	Coupon	Maturity	Current	Change	Yield	B.P.	Change
Life	Aflac	8.500%	5/15/2019	$136.57	($0.43)	2.34%	135	2
	Ameriprise	5.300%	3/15/2020	$119.31	$0.14	2.39%	124	(3)
	Genworth	6.515%	5/15/2018	$106.78	$1.34	5.07%	427	(26)
	Lincoln National	8.750%	7/15/2019	$133.66	$1.73	3.04%	202	(28)
	MassMutual	8.875%	6/15/2039	$153.55	($0.27)	5.15%	249	(1)
	MetLife	4.750%	2/15/2021	$116.45	$0.46	2.51%	118	(5)
	Mutual of Omaha	6.800%	6/15/2036	$121.68	($5.33)	5.19%	273	28
	New York Life	6.750%	11/15/2039	$139.98	($0.41)	4.24%	155	(3)
	Northwestern Mutual	6.063%	3/15/2040	$130.64	($0.85)	4.17%	147	(1)
	Pacific Life	9.250%	6/15/2039	$142.74	($0.70)	6.01%	337	(1)
	Principal	6.050%	10/15/2036	$124.30	($1.57)	4.39%	188	4
	Prudential	4.500%	11/15/2020	$111.98	($0.34)	2.80%	152	3
	TIAA	6.850%	12/15/2039	$139.45	($0.21)	4.35%	166	(3)
P&C	ACE INA	5.900%	6/15/2019	$125.39	$0.83	1.75%	75	(7)
	Allstate	7.450%	5/15/2019	$132.23	$0.39	2.07%	110	(3)
	American Financial	9.875%	6/15/2019	$130.19	($1.20)	4.48%	341	13
	Berkshire Hathaway	5.400%	5/15/2018	$121.06	$0.27	1.36%	61	(4)
	Travelers	3.900%	11/15/2020	$113.87	($0.09)	1.99%	69	(0)
	XL Group	6.250%	5/15/2027	$117.39	($0.81)	4.59%	256	6
Other	AON	5.000%	9/15/2020	$115.85	$0.34	2.73%	147	(0)
	AIG	5.850%	1/15/2018	$117.62	$0.72	2.18%	147	(15)
	Fidelity National	7.875%	7/15/2020	$127.65	$3.49	-0.54%	(131)	(55)
	Hartford	5.500%	3/15/2020	$115.44	$0.88	3.12%	195	(12)
	Marsh	9.250%	4/15/2019	$136.46	$0.87	2.91%	196	(3)
	Nationwide	9.375%	8/15/2039	$145.37	$0.17	5.96%	325	(3)
Health	Aetna	3.950%	9/15/2020	$110.34	$0.27	2.47%	122	1
	CIGNA	5.125%	6/15/2020	$116.10	$0.35	2.74%	152	(3)
	United Healthcare	3.875%	10/15/2020	$111.77	$0.73	2.23%	95	(11)
	Wellpoint	4.350%	8/15/2020	$111.61	$0.60	2.67%	145	(4)

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