NAIC National Association of Insurance Commissioners & The Center for Insurance Policy and Research
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**

European Bailout Mechanisms: What They Are, the Agencies Involved and Affected Exposure within the U.S. Insurance Industry

Distress among Eurozone countries persists with no long-term solution on the horizon, despite the various efforts of European agencies, including the European Central Bank, the International Monetary Fund, the European Financial Stability Fund and other programs established by the European Commission. The definition and purpose of these institutions and programs are discussed in more detail in this article.

Note that, on a daily basis, new ideas and proposals are being developed as European government leaders continue their discussions to devise a plan for a long-term solution to this sovereign debt crisis. As a result, new and more updated information to what is contained in this report may be available at the time of publication.

The insurance industry's exposure to euro-member nations (that is, those European Union countries that have adopted the euro as currency), as well as those countries that are part of the European Union but have not adopted the euro as currency, are shown in the table below. Additionally, the table includes a breakdown of the exposure with regard to finance-related investments and sovereign debt.

European Union Bond Holdings as of June 30, 2011 ($000)

Euro Participants:	Financial	Sovereign	Other	Grand Total	
Austria	653,967.8	123,821.6	1,217,103.8	1,994,893.2	0.9%
Belgium	506,252.1	69,487.2	2,289,337.8	2,865,077.1	1.3%
Cyprus	1,040.4	100,559.1	17,150.7	118,750.2	0.1%
Finland	627,989.7	60,209.5	2,122,122.7	2,810,321.9	1.2%
France	8,622,128.5	590,425.7	17,794,453.4	27,007,007.7	11.8%
Germany	6,874,818.5	322,887.7	6,568,229.9	13,765,936.1	6.0%
Greece		1,111,143.2	40,181.1	1,151,324.3	0.5%
Ireland	1,896,607.8	5,900.5	9,388,106.3	11,290,614.5	4.9%
Italy	412,663.3	824,278.9	1,174,375.2	2,411,317.4	1.1%
Luxembourg	2,368,313.2	27,001.2	18,302,129.8	20,697,444.2	9.0%
Malta			47,818.0	47,818.0	0.0%
Netherlands	8,120,668.3	431,534.8	33,292,785.2	41,844,988.4	18.3%
Portugal		30,540.6	110,973.0	141,513.6	0.1%
Slovenia		669.8		669.8	0.0%
Spain	802,481.9	770,046.1	4,881,971.0	6,454,498.9	2.8%
Other EU Countries:					
Bulgaria		32,948.5		32,948.5	0.0%
Czech Republic		368,735.3	107,366.8	476,102.1	0.2%
Denmark	885,394.4	23,810.3	1,456,578.2	2,365,782.9	1.0%
Hungary		161,519.2		161,519.2	0.1%
Latvia		54,096.5		54,096.5	0.0%
Lithuania		98,334.5		98,334.5	0.0%
Poland		1,088,859.5	66,330.7	1,155,190.3	0.5%
Romania			16,216.8	16,216.8	0.0%
Sweden	6,536,503.0	23,735.3	3,432,174.4	9,992,412.7	4.4%
United Kingdom	21,853,551.7	564,441.5	59,587,284.5	82,005,277.8	35.8%
Total Euro Participants	30,886,931.6	4,468,505.8	97,246,738.0	132,602,175.4	57.9%
Total Other EU Countries	29,275,449.1	2,416,480.7	64,665,951.5	96,357,881.3	42.1%
Grand Total	**60,162,380.7**	**6,884,986.5**	**161,912,689.4**	**228,960,056.6**	**100.0%**

Overall, direct insurance industry exposure to both the financial-sector and sovereign debt of the European Union (EU) was almost $229 billion as of June 30, 2011. Only 3% of this amount was sovereign debt exposure. To lend further comfort, exposure to countries that have received bailout assistance (such as Greece, Ireland and Portugal), as well as to those that may need assistance in the near term (such as Italy), was minimal.

The insurance industry is also indirectly exposed to these countries through counterparty risk from European financial institutions associated with derivatives. As discussed in an Oct. 14, 2011, Capital Markets Bureau Special Report titled, “Foreign Exposure in the Insurance Industry,” because of market concerns about the stability of certain European Union financial institutions, it is prudent to have a good understanding of the exposure that counterparty risk creates. The table below, which was previously published in the aforementioned Special Report, shows the insurance industry’s top ten foreign derivatives counterparty exposure as of June 30, 2011. The positive book/adjusted carrying values (BACV) represent transactions where the counterparty “owes” the insurer, and the negative BACVs represent transactions where the insurer “owes” the counterparty.

Foreign Derivatives Counterparty Exposure as of June 30, 2011 ($mil)

Counterparty	Positive BACV	Negative BACV	Net
Deutsche Bank	3,692.2	(2,136.3)	1,555.9
Credit Suisse	2,615.7	(1,178.8)	1,436.9
Barclays PLC	2,288.7	(1,366.9)	921.8
BNP Paribas	1,566.4	(840.0)	726.4
Union Bank of Switzerland	469.6	(79.0)	390.5
Societe Generale	439.5	(124.8)	314.7
Royal Bank of Scotland	822.2	(513.3)	309.0
Credit Agricole	130.5	(3.3)	127.2
UBS	870.1	(751.9)	118.1
Bank of Nova Scotia	694.9	(619.1)	75.9

The table below shows the total amount of EU bond and equity acquisitions and dispositions in the third quarter of 2011. Overall, exposure increased by $2 billion; however, this was primarily due to a net increase in United Kingdom (UK) investments of $2.3 billion. Eliminating the UK, there was a $333 million decrease in exposure.

European Union Acquisitions and Dispositions – 3Q2011

$ mil	Acquired Total	Disposed Total
France	1,442.5	1,806.1
Germany	468.0	794.8
Greece	23.0	39.2
Ireland	805.4	453.6
Italy	130.4	155.8
Luxembourg	1,506.5	1,033.2
Netherlands	1,489.7	1,582.0
Portugal	1.8	34.3
Spain	81.2	362.8
Bulgaria	1.8	8.7
Czech Republic	2.7	0.0
Denmark	12.5	53.7
Hungary	22.3	16.0
Latvia	0.8	0.7
Lithuania	37.6	2.5
Poland	50.0	62.4
Romania	-	1.3
Sweden	484.0	484.4
United Kingdom	5,713.0	3,379.0
Total	***$ 12,273.1***	***$ 10,270.6***

U.S. insurers decreased their exposure to EU sovereign debt by US$127 million. More significantly, U.S. insurers decreased exposure to EU financial institutions by US$1.8 billion. Sovereign exposure to Portugal, Ireland, Italy, Greece and Spain was reduced by US$241 million, while exposure to the financial institutions debt of these countries was increased modestly, by US$102 million. This is attributed to an increase in exposure to the Irish subsidiary of XL Capital (US$198 million).

European Central Bank (ECB)

Since Jan. 1, 1999, the ECB has been responsible for monetary policy for the euro area, which is the second-largest economy after the U.S. economy. Today, the euro area (that is, those countries that have adopted the euro as a currency) includes 17 EU states; however, in 1999, there were only 11 (Greece, Slovenia, Cyprus, Malta, Slovakia and Estonia joined in the years between 2001 and 2011). The EU includes the 17 euro-member states, plus an additional 10 member states that have not adopted the euro as currency.

Prior to 1999, the national banks of the euro area had been responsible for conducting monetary policy within their respective countries. According to its website, the creation of the ECB was considered a "milestone in the long and complex process of European integration." Since then, most (if not all) of the member countries' national banks have become part of the European System of Central Banks (ESCB) and are responsible for varying mandates that may include controlling the money supply and formulating credit and monetary policies.

A treaty effective June 1, 1998, established the ECB and the ESCB, with the ECB as the core of the Eurosystem and the ESCB. The Eurosystem comprises the ECB and national central banks of euro-area member states; the ESCB comprises the ECB and the national central banks of *all* EU member states. The Eurosystem's primary mandate is to maintain price stability, serve as a leading financial authority, safeguard European financial stability and promote European financial integration.

The ECB's top priority is fighting inflation; i.e., managing money supply and supporting a stable currency. When the financial crisis emerged in late 2007, spreading globally by 2008, the ECB's role was highlighted. The ECB functions similarly to the U.S. Federal Reserve, except — in addition to fighting inflation — the Federal Reserve also serves to promote employment. Like the Federal Reserve, when the financial crisis set in, the ECB reduced interest rates to near zero in an attempt to boost the economy. However, by April 2011, it raised its benchmark interest rate, while the Federal Reserve did not.

As the financial crisis evolved, and in an effort to maintain liquidity, the ECB had been lending euro-area banks as much money as it wanted (within its treaty limits), except to countries such as Italy, which (especially lately) has needed the funding perhaps more so than some others. As a result, its efforts have not been too helpful. While the ECB has been unwilling to expand its lending, critics argue that doing so would increase the supply of liquidity that is necessary to stimulate the economy. According to Jens Weidmann, president of the German Bundesbank and a member of the ECB's governing council: "By assuming the role of lender of last resort for highly indebted member states, the bank would overextend its mandate and shed doubt on the legitimacy of its independence." While only having two out of 23 votes on the governing council that determines ECB policy, Germany is the largest capital contributor to the ECB. In addition, its central bank, the Bundesbank, is the largest institution within the network of central banks.

The ECB's charter does not permit it to buy bonds directly from national treasuries (as the Federal Reserve was able to do through its Quantitative Easing (QE) programs), though it can and does buy government bonds in the open market. Since 2010, the ECB's bond borrowing has been relatively small, at about €200 billion (US$269 billion) so far through November 2011. In comparison, the Federal Reserve has purchased $2 trillion in government bonds and mortgage-backed securities through the QE programs. As of the end of November 2011, the ECB's new president, Mario Draghi, suggested that he would consider, under certain circumstances, expanding the scope of the central bank's bond purchase program, but the Eurozone governments would have to strengthen their budget rules. The ECB has been purchasing Spanish and Italian bonds in the open market in an attempt to suppress their borrowing costs. However, this has not achieved the desired outcome, as global investors are concerned that either (or both) of these countries could be the next to request bailout funding.

European Financial Stability Facility (EFSF)

The EFSF was created in May 2010 to provide financial assistance to euro-member states. It is currently backed by guaranteed commitments from the 17 member states for €780 billion and,

as of October 2011, had a lending capacity of €440 billion. The EFSF has been rated 'AAA' by Standard & Poor's and Fitch Ratings and 'Aaa' by Moody's Investors Service. The EFSF is not to be confused with theEuropean Financial Stabilization Mechanism (EFSM), which is discussed in more detail below.

The EFSF is considered to be insufficient by many market participants. As of November 2011, it had €250–€350 billion available after deducting current and expected commitments to Greece, Portugal and Ireland, which is not enough to help Italy or Spain, should either (or both) require bailout assistance. Investor confidence in the EFSF has waned, due in part to concerns over the structure of the fund, as well as over France as the second-largest capital contributor to the fund (perhaps due in part to the status of France's highest credit quality, long-term sovereign debt rating being on credit watch negative by at least one rating agency). While EU finance ministers have agreed on a way to increase the EFSF to €1 trillion, it would require contribution from the International Monetary Fund, likely through bilateral loans. As it stands currently, the combined amount of Italian and Spanish debt totals US$3.3 trillion.

International Monetary Fund (IMF)

The IMF consists of 187 member countries and is a specialized agency of the United Nations, but has its own charter, governing structure and finances. The IMF's objective is to ensure international monetary stability by tracking the global economy, as well as the economies of its member countries; lending to countries with balance of payment difficulties; and providing policy advice to members. The IMF generally lends to low- to middle-income countries that are unable to access financing elsewhere, with the intention of restoring macroeconomic stability. It also provides loans to countries to assist with developing their economies and reducing poverty. IMF loans are generally subject to strict conditions.

With the onset of the financial crisis, the IMF took several steps to assist struggling economies of its member states. The IMF restructured its lending policies, including creating a flexible credit line for those countries exhibiting strong economic fundamentals. Other reforms include tailored loans to low-income countries so that funds could be disbursed quickly and unconstrained by quotas as they had been in the past. In October 2008, the IMF created a new short-term liquidity facility that provided "large, upfront quick-disbursing, short-term financing to countries with strong policies and a good track record [to] address temporary liquidity problems in capital markets."

In March 2009, the IMF announced it would be restructuring how it lent money by offering higher amounts and configuring loan terms based on a country's strengths and circumstances. In addition, through support from creditor countries, including a US$100 billion contribution from Japan and €75 billion from the EU, the IMF increased its lending capacity from US$250 billion. In a 2010 meeting of the Group of Twenty Finance Ministers and Central Bank Governors (G-20), the IMF's lending capacity was increased three-fold to $750 billion. In addition, it doubled its concessional lending to the world's poorest countries, and had lent more than $50 billion to emerging market countries affected by the crisis, such as Belarus, Hungary, Iceland, Latvia, Pakistan, Serbia and Ukraine. Concessional lending for low-income countries is funded through separate contribution-based trust funds.

For the most part, the IMF obtains its funding from member countries through designated quotas that are reviewed every five years. The most recent review was in January 2008. Since early 2009, the IMF established approximately 17 new bilateral loan and two new bilateral note purchase agreements for a total amount of US$206 billion and US$61 billion, respectively (as of September 2011), to increase its capacity in support of member countries that have been negatively impacted by the sovereign debt crisis. The IMF is also the world's third-largest holder of gold, which it may sell or accept as payment, though such use is strictly limited, if it receives 85% of the member countries' vote of approval.

European Commission (EC)

The EC is the executive body of the EU. It operates through three programs whereby it may grant or loan funds to the EU as a borrower. The EC obtains funds via issuing debt instruments in the capital markets. EU assistance tends to be medium-term, with maturity dates ranging between five and 10 years, though it can be as short as three years and as long as 15 years. The three programs include:

- *European Financial Stabilization Mechanism (EFSM)*: Provides support to euro-area member states, up to €60 billion. Committed for Ireland and Portugal: €48.5 billion, with an aggregate €28 billion disbursed as of October 2011.
- *Balance-of-Payments (BoP) Assistance*: Provides support for member states that have not adopted the euro, up to €50 (€13.4 billion disbursed to Hungary, Latvia and Romania as of October 2011).
- *Macro-Financial Assistance (MFA)*: Financial aid program for non-member states (€497 million outstanding as of October 2011).

The EC also manages the package of pooled bilateral loans from euro-area member states to Greece, also known as the Greek Loan Facility, for a total amount of €80 billion, of which €47.1 billion has been disbursed as of October 2011. EU borrowings are unconditional obligations of the EU and guaranteed by the 27 member states. In addition, in July 2011, the euro-area heads of state decided to extend Greece a second funding program that was to be provided by the euro member states, but using the EFSF along with the IMF and an expected voluntary contribution by the private sector. More detail on aid to Greece is discussed in the section below.

Aid to Greece

The Greek government first approached the IMF for financial support in April 2010. In May 2010, the IMF approved a three-year €30 billion stand-by arrangement, with €5.5 billion immediately disbursable, for fiscal policy and pro-growth measures. In addition, as part of a joint financing with the EU, Greece received an additional €80 billion from euro-area member states in bilateral loans, with €20 billion immediately disbursable. On a combined basis, therefore, Greece was eligible for €110 billion in financial support over three years. The intent was for Greece to not need to access international financial markets until 2012.

After an initial status review in September 2010, another €2.57 billion was disbursed by the IMF, followed by €4.1 billion in March 2011 and €3.2 billion in July 2011. Upon its fifth review in October 2011, it was clear the situation in Greece had not improved, and the sovereign debt crisis had since spread to other peripheral Eurozone countries. Greece's fiscal target for 2011 is not expected to be met, not only because of a drop in gross domestic product (GDP), but also because of missteps with regard to implementation of some of the agreed-upon measures.

The timing for the next disbursement by the IMF — this time for €8 billion — was originally held by the IMF and EU until Greece responded to their calls for making deeper budget cuts. This sixth installment had also been subject to Greece raising money in the private sector. However, as of Nov. 30, 2011, Eurozone finance ministers agreed to grant Greece €5.8 billion of the €8 billion, while the IMF approved an additional €2.2 billion on Dec. 5, 2011.

Next to Receive Aid: Ireland and Portugal

While the Eurozone sovereign debt crisis essentially began with Greece, not long after, it spread to both Ireland and Portugal, which requested financial assistance due to the spread of sovereign debt distress within their respective countries. As a result, according to the EC website, a program was established for each country as follows:

Ireland

A total of €85 billion in financial support has been granted to Ireland; €35 billion of which is to be used to overhaul its banking sector, with the remainder to be used to restore its fiscal deficit by 2015. A joint package of funds, which was agreed upon at the end of November 2010, includes

contributions from the EU; euro-area member states; bilateral contributions from the UK, Sweden and Denmark; the IMF; and funds from Ireland's treasury:

- €17.5 billion from Ireland's treasury and National Pension Reserve Fund.
- €67.5 billion in external support: €22.5 billion each from EFSM, the IMF and EFSF, plus bilateral loans from the UK (€3.8 billion), Denmark (€0.4 billion) and Sweden (€0.6 billion).

Assistance to Ireland includes a contribution from its treasury's "cash buffer," as well as from investments of its National Pension Reserve Fund, which was established in 2001 to cover the costs of Ireland's social welfare and public service pensions from 2025 onwards. Additional disbursements will be determined by Ireland's need, in conjunction with a quarterly review by the EC in cooperation with the IMF and ECB. Program disbursements are to occur quarterly over three years and depend on compliance reviews.

Portugal

Effective in May 2011, a total of €78 billion in loans has been granted to Portugal in part for the purpose of reforms to boost growth, create employment and improve competitiveness, as well as to develop a fiscal strategy and financial sector strategy that includes recapitalization and deleveraging. Portugal's aid includes a €26 billion disbursement from each of EFSM, EFSF and the IMF. Similar to Ireland, additional disbursements are to be made quarterly upon a compliance review.

As of October 2011 an aggregate of €30.3 billion of the EFSM had been disbursed to both Ireland and Portugal. Another €10 billion is expected to be funded in 2012, followed by approximately €8 billion in 2013–2014.

Italy: On Watch for Potential Bailout Assistance

Italy has become the next Eurozone country to watch. Concern over Italy's increasing borrowing costs, combined with slow economic growth, has increased the likelihood of it requiring a bailout. The most recent auction of Italian bonds (Nov. 27, 2011) attracted more buyers than anticipated (mostly domestic banks), but yields were at record high levels as investors demanded high return for the relative risk. As a result, the country's borrowing costs have become worrisome. The recent change in Italian government leadership was hoped to mitigate concern related to borrowing from the country; however, the reverse effect occurred during this latest auction. While the ECB has been buying Italian government bonds in the open market, it has only been doing so on a limited basis, and, therefore, not sufficiently enough to keep borrowing costs down. Thus far, ECB officials have limited the central bank's role in bond repurchasing citing reasons such as moral hazard, fear of losing political independence and limitations of its legal mandate.

Italy has approximately €400 billion in debt coming due in 2012. Despite a possible €100 billion it could receive from the IMF, it would still need to raise the remainder elsewhere. However, Italy's Prime Minister Mario Monti announced that he intends to propose a new package of fiscal and structural measures that are aimed at balancing Italy's budget by 2013, despite slow economic growth. As of the beginning of December 2011, Italy's total outstanding debt was approximately €1.9 trillion (US$2.0 trillion).

Current Events and Proposals

Eurobond

Given that the bailouts do not seem to be rectifying the sovereign debt crisis, the EU has derived a proposal to issue a "eurobond," or a common bond across the member national governments. The EC has suggested three different approaches; however, Germany, the strongest economy within the union, opposes the idea completely. Germany's concern is that it would be responsible for guaranteeing the debt of other countries that may not, in its opinion, be spending wisely.

The first option would terminate bond issuance on the national level. Rather, the Eurozone governments would raise new capital in euro bonds that are jointly guaranteed by the 17 member states. Any existing national bonds would be converted into eurobonds. Effectively, credit risk would be pooled across the euro members and each government would agree to guarantee the debt of every other government.

The second option calls for the national governments of the euro members to raise capital via eurobonds up to a certain limit, such as 60% of a country's GDP. These bonds would benefit from a joint guarantee by all of the member states, and, beyond the limit, the countries would issue bonds in their national currencies. These first two options, however, would require changes to the treaty that governs the EU — something that would not be accomplished quickly, because it requires approval by the 27 EU countries.

The last option, which would not require a treaty revision, involves having the national governments issue eurobonds up to a specified limit. These eurobonds would be guaranteed jointly by the euro members only up to the specified limit. The quality of these bonds could be improved by providing collateral.

Proposal for a New Eurozone Member Pact

Typically, in times of financial crisis, a country's central bank can utilize monetary policy to devalue the national currency. However, individual euro member countries do not have the power or ability to devalue the euro because it is a common currency. As a result, the political leaders of Germany and France are leading efforts in negotiating a pact among the Eurozone members in an attempt to avoid a break-up of the euro currency bloc. While the proposal has not yet been agreed upon, it essentially creates a centralized fiscal-enforcement authority that has the power to seize control of national budgets of euro member states that are viewed as excessive. That is, there would be more centralized oversight of national fiscal and budget policies with penalties to those countries that violate the rules of discipline. While it appears that the ECB is supportive of this plan, it is hoped that this new pact would also encourage the ECB to be more aggressive in its actions in terms of intervening in the bond markets. This pact was devised, in part, because amending the EU treaty — which involves consensus of the 10-non euro currency nations, in addition to the 17 existing members — would be too time-consuming given the urgent circumstances. It is considered a "…a pact of euro-zone members for a new governance…" by France's budget minister, Valerie Pecresse. While Germany has expressed concern over a fiscal union among the Eurozone countries creating tension with the non-euro members, the worsening debt crisis, along with the amount of time it would take to make an EU treaty change, somewhat mitigates its concern regarding a "two-tiered" Europe.

Central Banks to Provide Funding

On Dec. 1, 2011, six central banks — including the Federal Reserve Bank (the Fed), the Bank of Canada, the Bank of England, the Bank of Japan, the Swiss National Bank and the ECB — announced that they have joined together to increase liquidity in Europe by providing "…cheap, emergency U.S. dollar loans to banks in Europe and elsewhere.." through February 2013. Effectively, the Fed will lend dollars to other central banks that will, in turn, make the dollars available to banks under their jurisdiction. This action is due in part to foreign banks' difficulties borrowing dollars, which they need to finance existing obligations and to make new loans. While this is not a solution to the Eurozone debt crisis, it perhaps will provide some additional time for European finance ministers to persuade the IMF and ECB to intervene further in the bond markets, as well as give European banks some interim lending power. According to a statement by the six central banks: "The purpose of these actions is to ease strains in financial markets and thereby mitigate the effects of such strains on the supply of credit to households and businesses and to help foster economic activity." Coincidentally, ECB President Mario Draghi has hinted that he might consider being more aggressive with the central bank's bond purchasing program (without violating its treaty), provided that member countries take action to become more disciplined with regard to fiscal spending: "What I believe our economic and

monetary union needs is a new fiscal compact. It is time to adapt the euro area design with a set of institutions, rules and processes that is commensurate with the requirements of monetary union."

Summary

While the Eurozone debt crisis is not anywhere near being solved, new measures are being proposed, meetings are being held and funds are slowly being disbursed in an attempt to prevent the crisis from worsening and to finally devise a long-term solution. Contributions made by European agencies such as the IMF, ECB and EFSF have, thus far, not been adequate to solve the spreading crisis; perhaps due in part to confinement by political constraints and treaty limitations, but also because of a lack of fiscal discipline by the affected countries. Consequently, there have been changes in government leaderships among some of the affected countries, such as with new prime ministers in Greece and Italy. Perhaps these changes, along with the creation and implementation of more effective measures, will eventually restore global investor confidence. On Dec. 9, 2011, there will be an EU summit whereby additional discussions will take place regarding the crisis and suggested remedies.

As euro area members have sought, and continue to seek, financial assistance, the NAIC has been monitoring the insurance industry's exposure to the affected countries (both directly and indirectly through derivative exposure). The NAIC will continue to monitor this situation closely.

December 2, 2011								
Major Insurer Share Prices			**Change %**			**Prior**		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$43.71	11.9	25.1	(22.5)	$39.05	$34.95	$56.43
	Ameriprise	45.98	10.8	16.8	(20.1)	41.51	39.36	57.55
	Genworth	6.47	20.0	12.7	(50.8)	5.39	5.74	13.14
	Lincoln	20.06	14.1	28.3	(27.9)	17.58	15.63	27.81
	MetLife	31.76	13.8	13.4	(28.5)	27.91	28.01	44.44
	Principal	24.30	13.4	7.2	(25.4)	21.43	22.67	32.56
	Protective	22.05	10.7	41.1	(17.2)	19.92	15.63	26.64
	Prudential	50.40	12.2	7.6	(14.2)	44.91	46.86	58.71
	UNUM	22.06	6.6	5.2	(8.9)	20.70	20.96	24.22
PC	ACE	$68.38	5.3	12.8	9.8	$64.93	$60.60	$62.25
	Axis Capital	30.80	2.9	18.7	(14.2)	29.94	25.94	35.88
	Allstate	26.68	8.0	12.6	(16.3)	24.70	23.69	31.88
	Arch Capital	37.29	3.0	14.1	27.1	36.22	32.68	29.35
	Cincinnati	28.92	5.2	9.8	(8.7)	27.48	26.33	31.69
	Chubb	66.22	3.8	10.4	11.0	63.82	59.99	59.64
	Everest Re	84.17	0.3	6.0	(0.8)	83.93	79.38	84.82
	Progressive	18.60	5.8	4.7	(6.4)	17.58	17.76	19.87
	Travelers	54.22	1.5	11.3	(2.7)	53.41	48.73	55.71
	WR Berkley	33.17	0.4	11.7	21.1	33.05	29.69	27.38
	XL	20.75	9.7	10.4	(4.9)	18.92	18.80	21.82
Other	AON	$46.01	4.0	9.6	0.0	$44.23	$41.98	$46.01
	AIG	23.18	15.5	5.6	(52.0)	20.07	21.95	48.27
	Assurant	39.09	7.9	9.2	1.5	36.22	35.80	38.52
	Fidelity National	15.78	5.8	4.0	15.4	14.91	15.18	13.68
	Hartford	17.91	15.8	11.0	(32.4)	15.46	16.14	26.49
	Marsh	30.37	6.7	14.4	11.1	28.47	26.55	27.34
Health	Aetna	$41.01	8.2	12.9	34.4	$37.89	$36.34	$30.51
	Cigna	43.07	5.3	2.7	17.5	40.92	41.94	36.66
	Humana	89.11	10.2	22.5	62.8	80.89	72.73	54.74
	United	48.23	10.4	4.6	33.6	43.67	46.12	36.11
	WellPoint	68.91	8.2	5.6	21.2	63.70	65.28	56.86
Monoline	Assured	$11.25	22.7	2.4	(36.4)	$9.17	$10.99	$17.70
	MBIA	10.62	43.1	46.1	(11.4)	7.42	7.27	11.99
	MGIC	3.06	18.6	63.6	(70.0)	2.58	1.87	10.19
	Radian	2.24	2.3	2.3	(72.2)	2.19	2.19	8.07
	XL Capital	20.75	9.7	10.4	(4.9)	18.92	18.80	21.82

December 2, 2011 Major Market Variables	Close	Change %			Prior		
		Week	QTD	YTD	Week	Quarter	Year
Dow Jones Ind	12,019.42	7.0	10.1	3.8	11,231.78	10,913.38	11,577.51
S&P 500	1,244.28	7.4	10.0	(1.1)	1,158.67	1,131.42	1,257.64
S&P Financial	173.14	9.5	8.9	(19.4)	158.13	159.05	214.77
S&P Insurance	169.61	7.8	10.9	(9.9)	157.36	152.88	188.22
US Dollar $		Change %			Prior		
/ Euro	$1.34	1.2	0.1	0.1	$1.32	$1.34	$1.34
/ Crude Oil bbl	101.04	4.4	28.2	9.6	96.77	78.80	92.22
/ Gold oz	1,745.70	3.6	7.7	22.9	1,685.70	1,621.20	1,420.78
Treasury Ylds %	%	Change			%	%	%
1 Year	0.10	(0.02)	(0.01)	(0.17)	0.12	0.11	0.27
10 Year	2.04	0.08	0.13	(1.26)	1.97	1.91	3.30
30 Year	3.04	0.11	0.12	(1.30)	2.92	2.91	4.34
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	117.96	(13.1)	(4.6)	38.8	135.80	123.58	85.00

December 2, 2011
Major Insurer Bond Yields

	Company	Coupon	Maturity	Price Current	Price Change	Yield	Spread B.P.	Spread Change
Life	Aflac	8.500%	5/15/2019	$122.12	($0.85)	4.91%	325	6
	Ameriprise	5.300%	3/15/2020	$107.94	$0.93	4.15%	230	(19)
	Genworth	6.515%	5/15/2018	$94.34	$2.10	7.64%	606	(52)
	Lincoln National	8.750%	7/15/2019	$118.90	$0.41	5.65%	391	(5)
	MassMutual	8.875%	6/15/2039	$144.40	($1.15)	5.67%	270	(4)
	MetLife	4.750%	2/15/2021	$105.41	$1.30	4.04%	202	(24)
	Mutual of Omaha	6.800%	6/15/2036	$113.20	($1.28)	5.79%	300	3
	New York Life	6.750%	11/15/2039	$130.29	($0.01)	4.77%	175	(5)
	Northwestern Mutual	6.063%	3/15/2040	$114.99	($1.33)	5.06%	208	1
	Pacific Life	9.250%	6/15/2039	$131.20	$0.80	6.74%	381	(10)
	Principal	6.050%	10/15/2036	$102.82	($0.82)	5.83%	296	(1)
	Prudential	4.500%	11/15/2020	$97.73	$0.38	4.81%	286	(7)
	TIAA	6.850%	12/15/2039	$124.70	($1.72)	5.17%	215	4
P&C	ACE INA	5.900%	6/15/2019	$117.87	($0.07)	3.21%	149	(2)
	Allstate	7.450%	5/15/2019	$120.92	$0.33	4.15%	249	(6)
	American Financial	9.875%	6/15/2019	$117.47	$0.51	6.86%	517	(11)
	Berkshire Hathaway	5.400%	5/15/2018	$115.00	$0.18	2.84%	139	(3)
	Travelers	3.900%	11/15/2020	$104.90	($0.04)	3.26%	127	(0)
	XL Group	6.250%	5/15/2027	$100.47	($0.27)	6.20%	385	(2)
Other	AON	5.000%	9/15/2020	$107.32	($1.64)	4.01%	211	16
	AIG	5.850%	1/15/2018	$97.05	$0.97	6.44%	502	(23)
	Fidelity National	7.875%	7/15/2020	$107.25	($0.19)	6.75%	497	7
	Hartford	5.500%	3/15/2020	$100.07	$2.74	5.49%	359	(41)
	Marsh	9.250%	4/15/2019	$131.19	($0.40)	4.26%	254	(3)
	Nationwide	9.375%	8/15/1939	$119.69	($0.53)	7.65%	471	(3)
Health	Aetna	3.950%	9/15/2020	$103.11	$0.73	3.53%	162	(8)
	CIGNA	5.125%	6/15/2020	$106.39	$0.10	4.22%	233	(6)
	United Healthcare	3.875%	10/15/2020	$104.95	($0.35)	3.23%	127	3
	Wellpoint	4.350%	8/15/2020	$107.42	$0.25	3.36%	146	(6)

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

The views expressed in this publication do not necessarily represent the views of NAIC, its officers or members. NO WARRANTY IS MADE, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY OPINION OR INFORMATION GIVEN OR MADE IN THIS PUBLICATION.
© 1990 – 2018 National Association of Insurance Commissioners. All rights reserved.