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**

Insurance Company Investment in Money Market Funds

As of year-end 2010, the insurance industry had approximately $62 billion in book/adjusted carrying value (BACV) invested in money market funds as reported in Schedule DA. This represents almost 45% of total Schedule DA assets as of year-end 2010. Money market funds are a type of mutual fund that is required by law to invest in low credit-risk securities. The goal of these funds is primarily to generate current income while maintaining principal stability, or capital preservation. They pay investors a dividend that resembles short-term interest rates and strive to maintain a net asset value (NAV, or total value of the fund's securities divided by the total number of fund shares) at $1 per share. While yield on the investments may move up and down, the NAV will only decrease if the underlying investments default. Like most other types of funds, they are exposed to interest rate risk, credit risk and liquidity risk.

Typically, money market funds invest in government securities, certificates of deposit (CDs), commercial paper or other short-term, highly liquid securities, and they are not federally insured (unlike money market deposit accounts at a bank). Money market fund investments must be First Tier or Second Tier securities, meaning that the ratings assigned to the investments by one or more of the nationally recognized statistical rating organizations (NRSROs) must be in the highest or second-highest rating categories. The federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) includes provisions that require regulatory agencies to review their use of NRSRO ratings in regulation, with the intent of removing any references and reliance on the ratings. The impact on money market funds has not yet been ascertained. As of the week ended Oct. 19, 2011, total money market mutual fund assets were $2.6 trillion, according to the Investment Company Institute.

As the table below shows, the majority of money market fund investments within the insurance industry were held by property/casualty companies. This reflects in part the nature of the liabilities of this company type in terms of liquidity needs, duration and risk tolerance.

Insurance Industry Breakdown ($ mil) as of Year-end 2010

Life	Property & Casualty	Fraternal	Title	Health	Grand Total
$ 21,063.8	$ 27,951.3	$ 342.0	$ 77.6	$ 12,259.1	$ 61,693.8
34.1%	45.3%	0.6%	0.1%	19.9%	100%

Largest Money Market Fund Investments

Because year-end reporting shows a detailed list of the funds that comprise the industry's money market exposure and quarterly reporting only shows a total dollar amount of Schedule DA investments, we analyzed the detail provided by year-end 2010 reporting for the purpose of this report. As of June 30, 2011, total Schedule DA investments were approximately $131.2 billion compared to $138.0 billion as of year-end 2010.

As of year-end 2010, money market fund investments were approximately 45% of total Schedule DA investments in terms of BACV. The table below shows the largest 11 money market funds as of year-end 2010, totaling $34.3 billion, or approximately 56% of industry money market fund exposure. Note that the fund names and dollar amounts are as reported by insurance companies in Schedule DA, and, therefore, where fund names were abbreviated, we used our best judgment to classify the funds appropriately.

Largest Money Market Mutual Funds ($ mil) as of Year-end 2010

Money Market Mutual Fund	Grand Total ($ mil)	% of total industry
American International Group Money Market Fund	6,557.37	10.6%
Fidelity Prime Money Market Fund	3,941.39	6.4%
BlackRock Liquidity Money Market Fund	3,832.86	6.2%
JP Morgan US Government Money Market Fund	3,769.78	6.1%
JPMorgan Prime Money Market Fund	3,714.83	6.0%
United Healthcare Liquidity Pool	2,576.28	4.2%
Federated Investors Prime Obligations Money Market Fund	2,401.97	3.9%
Goldman Sachs Financial Square Money Market Funds	2,349.89	3.8%
Dreyfus Cash Management Fund	2,088.88	3.4%
Wells Fargo Advantage Prime Investment Money Market Fund	2,036.43	3.3%
Dreyfus Insitutional Cash Advantage Money Market Fund	1,047.09	1.7%
Total:	$ 34,316.76	55.6%
TOTAL INDUSTRY MONEY MARKET FUND EXPOSURE	*$ 61,693.80*	

Two notable observations within this list include the American International Group (AIG) Money Market Fund exposure, as well as the United Healthcare (UHC) Liquidity Pool exposure. The only investors in these two funds as of year-end 2010 were AIG and UHC companies, respectively. Therefore, we believe these funds represented part of the companies' cash management systems. The AIG Money Market Fund is registered with the U.S. Securities and Exchange Commission (SEC). The UHC Liquidity Pool, however, while having some similarities to a money market fund and reported as such by UHC entities, is technically not a money market fund. According to notes to the financial statements for this pool, it is considered "additional investments" and UHC interest in the pool does not qualify as an admitted asset.
The AIG fund invests in a diversified portfolio of U.S. dollar-denominated short-term securities. While it is open to third-party investors, as of year-end 2010, only AIG affiliates were investors in the fund. The UHC fund represents a pooling agreement formed in 1997 between Travelers Asset Management International Corporation (TAMIC), State Street Bank and Trust Company and United Healthcare Services, Inc. (UHS), whereby TAMIC invests portions of UHS and affiliate assets in short-term investments that carry NAIC 1 or 2 designations. According to the pooling agreement, participants may withdraw funds from the pool on a pro-rata basis without penalty and at the discretion of TAMIC as pool manager.
Removing the AIG and UHC funds from the list results in total money market fund exposure of $25.2 billion, or 43% of total money market fund exposure, as of year-end 2010.
In the table below, we analyzed a breakdown of money market fund exposure by insurance company size. Companies with total cash and invested assets ranging between $10.1 billion to $20 billion had the highest percentage of money market fund investments, at almost 20% of total money market fund exposure as of year-end 2010. Excluding the AIG Money Market Fund and United Healthcare Liquidity Pool, the percentages listed below would not be substantially different; however, companies with total cash and invested assets between $10.1 billion to $20 billion were approximately 14% of total money market fund exposure without the two aforementioned funds. Companies with total cash and invested assets up to $3 billion comprised almost 50% of money market fund exposure; excluding the two funds, companies

with total cash and invested assets up to $3 billion comprised about 55% of money market exposure.

Money Market Fund (MMF) Exposure by Insurance Company Size ($ mil) as of Year-end 2010

Total cash and invested assets	Total MMF Investments	% of total MMF
Up to $50 million	2,775.0	4.5%
$50 million - $250 million	7,020.7	11.4%
$251 million - $500 million	5,208.7	8.4%
$501 million -$1.5 billion	9,022.2	14.6%
$1.51 billion - $3.0 billion	5,968.5	9.7%
$3.1 billion - $5.0 billion	2,476.7	4.0%
$5.1 billion - $10.0 billion	7,999.7	13.0%
$10.1 billion - $20.0 billion	12,071.5	19.6%
$21 billion +	9,151.0	14.8%
	$ 61,693.80	100.0%

Detailed Review of the Largest Money Market Fund Exposures

Given the current economic environment, in particular as it relates to continuing stress within the financial markets and the sovereign debt crisis, we analyzed more closely the fund exposures to these types of investments and found manageable risk. For the most part, eligible securities in these funds include short-term, high-quality, U.S. dollar-denominated investments in CDs, time deposits, repurchase agreements and commercial paper from both domestic and foreign issuers. Almost all of the funds may also invest at least 25% of their assets in banking or financial services, according to the respective prospectuses. One fund even allows for at least 25% of its assets in securities of any foreign government. Some funds may also include U.S. government agency-backed securities, as well as mortgage- and/or asset-backed securities and municipal securities.

Upon analyzing the actual investments held within the largest money market funds listed above (that is, for those seven funds where the schedule of holdings was available), none contained exposure to Greek sovereign or corporate debt. In addition, exposure to banking and finance-related industries, including both U.S. and foreign banks, was common and significant throughout, although it represented high-quality, short-term investments. Exposure to foreign banks included several French banks, in particular, BNP Paribas SA, Societe Generale and Credit Agricole, but exposure was limited to short-term and high-quality paper, such as CDs and commercial paper.

SEC Rule 2a-7 of the Investment Company Act of 1940

Money market funds are governed by Rule 2a-7 of the SEC’s Investment Company Act of 1940. Due in part to the financial crisis that emerged in late 2007, the SEC amended Rule 2a-7 in February 2010 in an effort to “increase the resilience of these funds to economic stresses and reduce the risks of runs on the funds,” as well as to “improve liquidity, increase credit quality, and shorten maturity limits.” As a result, minimum liquidity requirements were established for the funds, along with shorter weighted average maturities. Changes were also made to increase fund disclosure and promote transparency. In general, these changes encouraged more conservative investment strategies across the industry.

A fund’s “eligible securities” include those that are rated by an NRSRO to be either in the highest rating category (First Tier) or the second-highest rating category (Second Tier) or that are unrated (but are comparable in terms of credit quality to a rated security, as determined by a fund’s board of directors), whereby the maturity of the investment does not exceed 397 days at the time of acquisition. In addition, with the 2010 SEC amendment, funds are also required to designate four NRSROs that they will rely on to determine whether a security is eligible for investment. It has yet to be determined how Dodd-Frank Act provisions have affected money market funds' reliance on/reference to NRSRO ratings.

In terms of maturity, the dollar-weighted average maturity should not exceed 60 calendar days (reduced from 90 days via the 2010 SEC amendment), and weighted average life must not exceed 120 calendar days (a new requirement with the 2010 SEC amendment). While duration is the measure of the price sensitivity to changes in interest rates, maturity for short-term investments is a reasonable proxy. New changes also include that at least 30% of a fund's assets be held in cash or other short-term investments that could be liquidated within a week, and at least 10% of a fund's assets be held in short-term assets that could be liquidated within one day. Illiquid securities are limited to 5% of the fund's total assets. Rule 2a-7 also includes a maximum seven-day redemption period when investors request cash back on their investments. Per the 2010 SEC amendment, funds are restricted to holding at most 3% of total assets in Second Tier securities (down from 5%) that may not have a remaining maturity, at the time of acquisition, in excess of 45 days. Not more than 0.5% of total assets may be held in any one Second Tier issuer.

The 2010 SEC amendment to Rule 2a-7 also requires periodic stress-testing relative to the fund's ability to maintain a stable NAV, and it includes a revised treatment of repurchase agreements in terms of diversification. It also outlines recordkeeping and reporting requirements for money market funds that includes website disclosure of fund holdings on a monthly basis, as well as monthly disclosure of fund holdings, to the SEC.

The Fall of the Reserve Primary Fund

The Reserve Primary Fund was the first money market fund established in the United States in 1971 for investors interested in preserving cash while earning a small return. Since then, there had been only one or two incidences where a fund's NAV dropped below the minimum $1 (also known as "breaking the buck"), causing investors to lose principal. However, it wasn't until September 2008, after Lehman Brothers Holdings Inc. (Lehman) declared bankruptcy, that the money market fund industry was severely impacted. The Reserve Primary Fund's NAV decreased to $0.97 as a result of write-downs on Lehman debt holdings. After that, the financial crisis set in and investor anxiety spread throughout the money market industry, resulting in widespread redemptions and causing the U.S. Department of the Treasury to step in and provide assistance.

The Reserve Primary Fund "broke the buck" only one day after Lehman filed for bankruptcy protection. It had owned $785 million of Lehman debt, which was declared worthless and resulted in the fund's NAV decrease. At the end of May 2008, the fund had almost $65 billion in assets, more than half of which was said to be in asset-backed securities (ABS; assets whose liquidity was questionable), including some issued by Lehman. The Reserve Primary Fund then ceased paying redemptions to its clients for up to seven days, as allowable by SEC Rule 2a-7, as heavy redemption demands exacerbated the impact of Lehman's losses to the fund.

Since their inception, money market funds had been considered a safe place to invest cash, similar to bank savings accounts; however, unlike bank savings accounts, money market funds are not insured by the Federal Deposit Insurance Corporation (FDIC). Investor panic followed the Reserve Primary Fund's losses, as investors questioned the value of other money market funds falling below the $1 minimum NAV, which, in turn, increased market turmoil and added to liquidity constraints as investors began to withdraw cash.

In an attempt to restore confidence and alleviate concerns over the ability of money market funds to withstand losses, a few days after the Reserve Primary Fund's NAV decline, the U.S. Treasury Department announced that it would temporarily guarantee money market funds for losses up to $50 billion. That is, it would insure the holdings of any publicly offered eligible money market fund that paid a fee to participate in the program. In addition, to ensure sufficient liquidity relative to redemption requirements, the Federal Reserve expanded its emergency lending program to help commercial banks finance the purchase of ABS from the funds.

Basically, once the NAV of a fund dropped below $1, investors would be notified that the insurance program provided by the U.S. Treasury Department had been triggered. A week after this program was implemented, some of the largest mutual fund companies in the United States applied for coverage. Nevertheless, investors continued to withdraw cash out of money market funds, which shrank by $100 billion to $3.33 trillion over a three-week time period as of early October 2008.

As of October 2008, the Reserve Primary Fund had decreased to $20 billion and would be liquidated. In addition, in November 2008, the U.S. Treasury Department agreed to purchase at par any government securities held by the Reserve Primary Fund that were not sold by Jan. 3, 2009, and hold them to maturity, thereby avoiding any loss by the fund's investors. Through several installments, investors received 99% of their money back by early 2010. In April 2010, the Reserve Primary Fund sold its Lehman debt for $0.22 on the dollar.

Fitch Ratings Reports that European Bank Exposure has Decreased

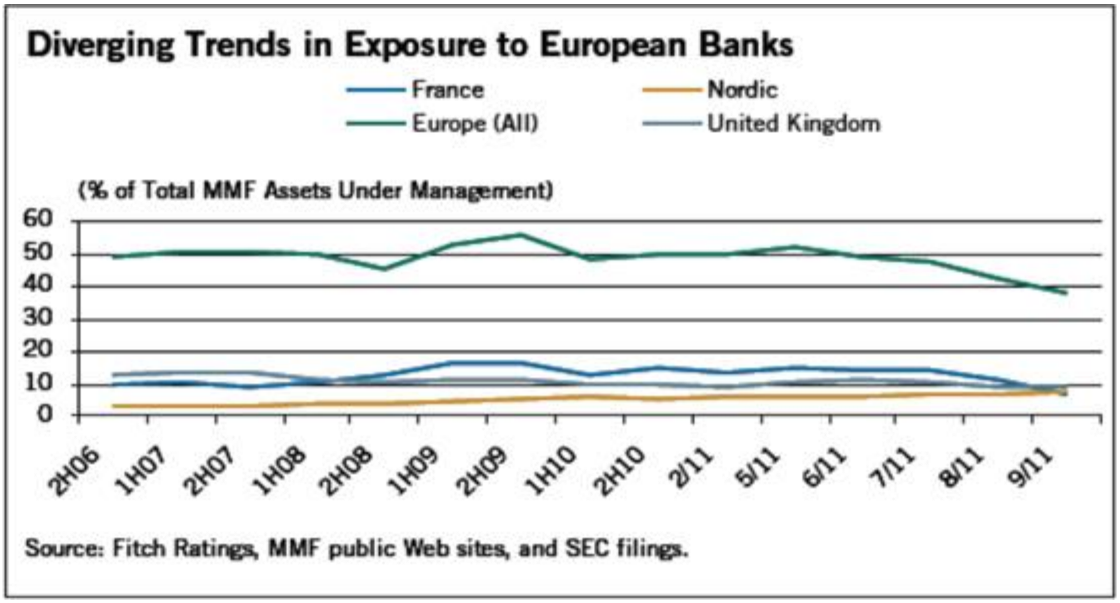
Fitch Ratings (Fitch) issued a report dated Oct. 20, 2011, citing that U.S. money market funds have decreased their exposure to European banks and, in particular, French banks. According to the report, as of Sept. 30, 2011, U.S. prime money market funds reduced total exposure to European banks by 14% on a dollar basis relative to the prior reporting period in August 2011. We view this as a positive trend, given European banks' exposure to sovereign debt amid the current Eurozone debt crisis.

Change in Exposure to Banks (on a Dollar Basis)

(% Change in MMF Exposure)	Since End-May 2011	Since End-August 2011
Europe	(37)	(14)
France	(62)	(42)
Germany	(40)	(6)
U.K.	(26)	(5)
Canada	12	3
Nordic	0	4
Australia	6	4
Japan	41	22

Source: Fitch Ratings, MMF public Web sites, SEC filings.

Fitch's analysis sampled filings from the 10 largest *prime* institutional and retail money market funds representing $654 billion (or 45%) of an estimated $1.47 trillion total U.S. prime money market fund assets under management. Note this is a subset of *total* money market fund assets, which was approximately $2.6 trillion as of Sept. 30, 2011, according to the Investment Company Institute. Fitch's report also noted that European bank exposure comprised 37.7% of total holdings within the 10 sampled funds, representing the lowest level of exposure in percentage terms for European banks since the second half of 2006 (the historical time period for Fitch's data). In particular, exposure to French banks decreased to 6.7% of money market fund assets as of Sept. 30, 2011, from 11.2% the month prior. At its peak in the second half of 2009, exposure to French banks was 16.4% of money market fund assets.



Overall, the top 15 European banks accounted for 43% of total money market fund assets as of Sept. 30, 2011, while six of the top 15 accounted for approximately 18% of total money market fund assets.

Largest MMF Exposures — Financial Institutions

(As of End-September 2011)

Issuer/Counterparty	CD, CP, Repo, Other/Total MMF Assets Under Management (%)
Deutsche Bank	**3.5**
Westpac	3.5
Barclays	**3.5**
Rabobank	**3.3**
Bank of Nova Scotia	3.1
Royal Bank of Canada	3.0
Credit Suisse	**3.0**
BNP Paribas	**2.8**
Sumitomo Mitsui	2.7
JP Morgan Chase	2.6
National Australia Bank	2.5
Bank of Tokyo Mitsubishi	2.5
Svenska Handelsbanken	**2.2**
Citibank	2.2
Commonwealth Bank of Australia	2.1

CD – Certificates of deposit. Repo – Repurchase agreement. Note: European banks are bolded above.
Source: Fitch Ratings, MMF public Web sites, SEC filings.

Impact of Current Global Market Events

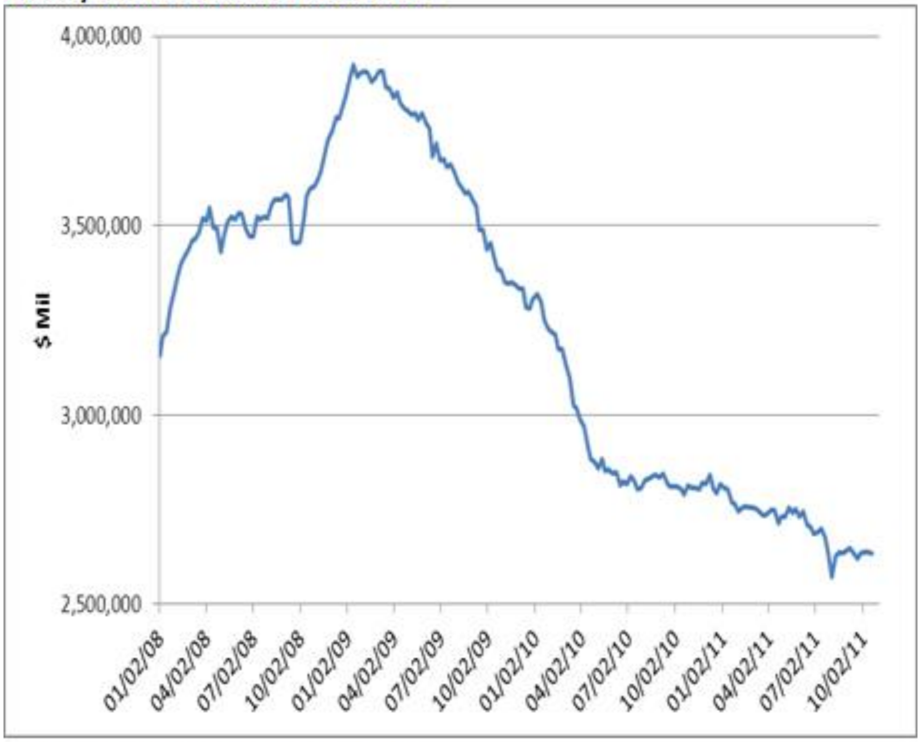
While money market funds generally invest in “safe” investments, current global economic events have impacted investment strategies in these funds. In particular, one investment manager shifted its strategy relative to weighted average maturity, tending to invest on the longer end of the spectrum toward the end of each calendar quarter, when supply/demand pressures made it advantageous to do so. As a result of ongoing market volatility, interest and credit risk tend to be monitored daily, and money market funds are actively managed to maximize returns. Money managers are paying close attention to economic data, Federal Reserve policy and interest rate movements.

Concern prevails over the $1.6 trillion exposure of European banks to money market funds as the sovereign debt crisis continues. The fear is that, similar to the Reserve Primary Fund incident, investors will rush to withdraw cash from money market funds that invest in European bank debt if there is a perception that the banks will be unable to repay their debts, especially if Greece defaults on its debt. Money market fund managers have already reduced exposure to Eurozone countries such as Portugal, Ireland, Italy and Spain, and they have no holdings in Greece. According to Federal Reserve Chairman Ben Bernanke: “With very few exceptions, the money market mutual funds don’t have much direct exposure to the three peripheral countries which are currently dealing with debt problems. They do have substantial exposure to European banks in the so-called core countries: Germany, France, etc. So to the extent that there is indirect impact on the core European banks, that does pose some concern to money market mutual funds.”

In addition, the threat of downgrade to the United States’ long-term sovereign debt rating in July 2011 caused an outflow from money market funds, as they are heavily invested in U.S. Treasury notes and other government securities. Rather, investors preferred to deposit cash in federally guaranteed bank accounts (despite zero interest), and fund managers preferred to hold more cash and liquid investments in the event of a surge in redemptions. As of year-end 2010, bank checking account assets increased to $2.4 trillion from $2.1 trillion as of year-end 2009. Prior to the financial crisis, money market funds had offered higher interest rates than bank savings accounts. But, because interest rates have declined, returns have also been reduced, making, perhaps, savings accounts more attractive due to FDIC insurance.

In addition, because of the low interest-rate environment, many money market fund managers temporarily began to waive their management fees in late 2008 to maintain positive yields for investors. Otherwise, the funds would be reporting negative returns. While interest rates remain at historic lows — and, therefore, so do yields on money market funds — money managers continue to monitor interest rate movement to determine the appropriate time to restore management fee income; that is, as long as investors receive a positive return on their investment.

Money Market Mutual Fund Assets



Source: Investment Company Institute.

Total Schedule DA Investments

The industry's exposure to short-term investments that were included in Schedule DA was approximately $138.0 billion as of year-end 2010. Money market funds were 44.7% of this total. The remainder primarily included U.S. special revenue and assessment bonds (27.1%) and investment in U.S. government bonds (21.1%).

Schedule DA Composition ($ mil BACV) as of Year-end 2010

	Life	Property & Casualty	Fraternal	Title	Health	Grand Total	% of total
U.S. government bonds	10,270.1	17,127.6	30.9	12.1	1,728.0	29,168.8	21.1%
Other U.S. government bonds/agency mortgage-backed securities	229.9	1,867.6	158.3	-	55.6	2,311.3	1.7%
U.S. states, territories and possessions	14.8	151.1	0.8	-	34.1	200.8	0.1%
U.S. political subdivisions of states, territories and possesions	53.0	734.3	70.0	-	176.7	1,034.0	0.7%
U.S. special revenue and assessment bonds	27,444.0	7,424.6	373.7	33.4	2,101.6	37,377.2	27.1%
RMBS/ABS/CMBS	29.3	2.0	0.8	-	6.9	38.9	0.0%
Corporate bonds (industrial and miscellaneous)	6.0	-	-	-	3.5	9.5	0.0%
Mortgage Loans/Real Estate	2,510.7	619.7	0.5	-	7.3	3,138.1	2.3%
Hybrid securities	222.3	8.8	-	-	-	231.1	0.2%
Money market funds	21,063.9	27,951.3	342.0	77.6	12,259.1	61,693.9	44.7%
Other short-term invested assets	930.3	1,668.4	17.5	2.1	200.1	2,818.4	2.0%
Grand Total	**62,774.3**	**57,555.5**	**994.4**	**125.3**	**16,572.7**	**138,022.2**	**100.0%**

Summary

As the "Money Market Mutual Funds Asset" graph indicates, total assets held by money market funds have decreased significantly over the past two years. Because money market funds tend to invest heavily in short-term bank debt, as well as government securities, the current sovereign debt crisis — along with a downgrade to the U.S.'s long-term sovereign debt rating — may have, in part, caused investor wariness in the stability and liquidity of what was once considered a "safe" investment vehicle. In the current environment, investors seem to prefer the comfort of cash and a federal guarantee in a bank account over a small return and potential for loss in net asset value.

Insurance company investment in money market funds comprised just less than half of the industry's short-term investments as of year-end 2010. The largest funds, which comprised about 40% of the industry's money market fund exposure, contained investments in U.S. and foreign banks, as well as government securities, among other types of eligible securities; however, concern is mitigated in part by the short-term and high-credit quality nature of these investments, and the lack of exposure to Greece. In addition, since the crisis emerged, amendments to the rules governing these funds have been implemented to protect investors, resulting in more conservative investment guidelines and more transparent fund disclosure.

The Capital Markets Bureau will continue to monitor any developments within the money market fund industry and report as appropriate.

October 21, 2011								
Major Insurer Share Prices			**Change %**			**Prior**		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$42.38	3.1	21.3	(24.9)	$41.12	$34.95	$56.43
	Ameriprise	43.16	0.9	9.7	(25.0)	42.78	39.36	57.55
	Genworth	6.00	2.2	4.5	(54.3)	5.87	5.74	13.14
	Lincoln	18.86	4.9	20.7	(32.2)	17.98	15.63	27.81
	MetLife	33.29	3.8	18.9	(25.1)	32.06	28.01	44.44
	Principal	25.75	2.9	13.6	(20.9)	25.02	22.67	32.56
	Protective	18.07	5.2	15.6	(32.2)	17.18	15.63	26.64
	Prudential	52.82	3.8	12.7	(10.0)	50.89	46.86	58.71
	UNUM	24.15	1.3	15.2	(0.3)	23.84	20.96	24.22
PC	ACE	$70.06	11.3	15.6	12.5	$62.94	$60.60	$62.25
	Axis Capital	29.76	13.4	14.7	(17.1)	26.24	25.94	35.88
	Allstate	26.76	7.5	12.9	(16.1)	24.89	23.69	31.88
	Arch Capital	35.92	7.5	9.9	22.4	33.41	32.68	29.35
	Cincinnati	28.39	6.7	7.8	(10.4)	26.61	26.33	31.69
	Chubb	68.46	9.3	14.1	14.8	62.66	59.99	59.64
	Everest Re	84.53	7.9	6.5	(0.3)	78.31	79.38	84.82
	Progressive	18.46	3.1	3.9	(7.1)	17.90	17.76	19.87
	Travelers	57.02	11.5	17.0	2.4	51.13	48.73	55.71
	WR Berkley	32.66	8.2	10.0	19.3	30.18	29.69	27.38
	XL	21.52	9.3	14.5	(1.4)	19.69	18.80	21.82
Other	AON	$49.13	9.2	17.0	6.8	$44.99	$41.98	$46.01
	AIG	23.79	2.1	8.4	(50.7)	23.30	21.95	48.27
	Assurant	39.06	5.2	9.1	1.4	37.12	35.80	38.52
	Fidelity National	15.10	(3.3)	(0.5)	10.4	15.62	15.18	13.68
	Hartford	19.05	3.6	18.0	(28.1)	18.38	16.14	26.49
	Marsh	30.18	7.3	13.7	10.4	28.12	26.55	27.34
Health	Aetna	$37.99	0.7	4.5	24.5	$37.74	$36.34	$30.51
	Cigna	44.59	(0.0)	6.3	21.6	44.61	41.94	36.66
	Humana	75.88	1.3	4.3	38.6	74.87	72.73	54.74
	United	47.76	1.4	3.6	32.3	47.10	46.12	36.11
	WellPoint	66.34	(0.9)	1.6	16.7	66.94	65.28	56.86
Monoline	Assured	$12.43	2.5	13.1	(29.8)	$12.13	$10.99	$17.70
	MBIA	8.25	6.9	13.5	(31.2)	7.72	7.27	11.99
	MGIC	2.29	(3.8)	22.5	(77.5)	2.38	1.87	10.19
	PMI	0.31	6.1	53.8	(90.7)	0.29	0.20	3.30
	Radian	2.43	0.4	11.0	(69.9)	2.42	2.19	8.07
	XL Capital	21.52	9.3	14.5	(1.4)	19.69	18.80	21.82

October 21, 2011							
Major Market Variables		**Change %**			**Prior**		
	Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Dow Jones Ind	11,808.79	1.4	8.2	2.0	11,644.49	10,913.38	11,577.51
S&P 500	1,238.23	1.1	9.4	(1.5)	1,224.57	1,131.42	1,257.64
S&P Financial	176.56	3.9	11.0	(17.8)	169.90	159.05	214.77
S&P Insurance	172.97	5.5	13.1	(8.1)	164.01	152.88	188.22
US Dollar $		**Change %**			**Prior**		
/ Euro	$1.39	0.1	3.7	3.8	$1.39	$1.34	$1.34
/ Crude Oil bbl	87.61	0.4	11.2	(5.0)	87.22	78.80	92.22
/ Gold oz	1,640.00	(2.5)	1.2	15.4	1,681.70	1,621.20	1,420.78
Treasury Ylds %	%	**Change**			%	%	%
1 Year	0.12	0.02	0.01	(0.16)	0.10	0.11	0.27
10 Year	2.22	(0.02)	0.31	(1.08)	2.24	1.91	3.30
30 Year	3.28	0.05	0.36	(1.06)	3.23	2.91	4.34
Corp Credit Spreads -bp		**Change %**			**Prior**		
CDX.IG	121.49	1.5	(1.7)	42.9	119.65	123.58	85.00

October 21, 2011
Major Insurer Bond Yields

	Company	Coupon	Maturity	Price			Spread	
				Current	Change	Yield	B.P.	Change
Life	Aflac	8.500%	5/15/2019	$122.81	$1.89	4.86%	293	(24)
	Ameriprise	5.300%	3/15/2020	$108.75	$0.52	4.06%	197	(6)
	Genworth	6.515%	5/15/2018	$89.64	($0.36)	8.61%	687	17
	Lincoln National	8.750%	7/15/2019	$119.44	$1.52	5.60%	363	(18)
	MassMutual	8.875%	6/15/2039	$145.71	$4.75	5.60%	218	(41)
	MetLife	4.750%	2/15/2021	$106.95	$3.38	3.85%	161	(41)
	Mutual of Omaha	6.800%	6/15/2036	$111.20	$1.57	5.93%	291	(14)
	New York Life	6.750%	11/15/2039	$119.86	$1.27	5.37%	212	(8)
	Northwestern Mutual	6.063%	3/15/2040	$115.56	$4.47	5.03%	164	(39)
	Pacific Life	9.250%	6/15/2039	$129.21	$1.71	6.87%	339	(39)
	Principal	6.050%	10/15/2036	$106.53	$1.68	5.56%	250	(10)
	Prudential	4.500%	11/15/2020	$100.99	$1.14	4.37%	210	(23)
	TIAA	6.850%	12/15/2039	$117.55	($0.01)	5.60%	232	(5)
P&C	ACE INA	5.900%	6/15/2019	$116.50	$0.69	3.42%	153	(1)
	Allstate	7.450%	5/15/2019	$121.55	$0.56	4.10%	220	(5)
	American Financial	9.875%	6/15/2019	$119.45	$0.28	6.59%	471	2
	Berkshire Hathaway	5.400%	5/15/2018	$113.70	$0.62	3.07%	144	(3)
	Travelers	3.900%	11/15/2020	$102.92	$1.10	3.52%	131	(16)
	XL Group	6.250%	5/15/2027	$101.67	$3.04	6.08%	350	(15)
Other	AON	5.000%	9/15/2020	$107.37	$0.33	4.01%	182	(7)
	AIG	5.850%	1/15/2018	$98.44	$1.57	6.15%	455	(27)
	Fidelity National	7.875%	7/15/2020	$109.13	$0.00	6.49%	482	35
	Hartford	5.500%	3/15/2020	$99.56	$2.11	5.57%	353	(25)
	Marsh	9.250%	4/15/2019	$130.50	$0.23	4.41%	245	(5)
	Nationwide	9.375%	8/15/1939	$114.35	$1.26	8.07%	468	(9)
Health	Aetna	3.950%	9/15/2020	$103.12	$0.78	3.54%	143	(8)
	CIGNA	5.125%	6/15/2020	$107.47	($0.06)	4.09%	205	8
	United Healthcare	3.875%	10/15/2020	$104.29	$1.22	3.32%	124	(7)
	Wellpoint	4.350%	8/15/2020	$104.78	$0.64	3.71%	162	(4)

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