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**

Insights into the Insurance Industry's Credit Default Swaps Exposure

A credit default swap, or CDS, is a derivative instrument in which there is a transfer of credit risk from one party to another. The notional amount, representing the maximum potential exposure, is the amount of credit risk that is being transferred. The CDS contract terminates on a predetermined, fixed maturity date. The five-year contract is the most common — and, typically, the most liquid — contract in the market.

The CDS refers to a reference entity that is typically a single-name entity, but can also be a basket of single-name entities or an index. There is an upfront payment exchanged at the beginning of the contract reflecting the current market, after which the buyer of protection pays a quarterly fixed premium to the seller of protection in return for compensation that is contingent upon the occurrence of a specified credit event by the reference entity. If the reference entity has a credit event, there are two possible scenarios: physical delivery or cash settlement. Under physical delivery, the buyer of the CDS contract delivers the bond or loan held, and the seller delivers the notional amount of the CDS contract to the buyer. Alternatively, under cash settlement, the seller makes a payment to the buyer that is equal to the net price of the notional amount of the CDS and the final value of the reference entity for the same notional amount based on market conditions at that time. The Depository Trust & Clearing Corporation (DTCC) not only maintains details on CDS contracts, but, through central settlement, it also automates the exchange of payments in the over-the-counter (OTC) derivatives market.

CDS contracts are traded under bilateral agreements between parties using master agreements and documentation that generally follow standard guidelines determined by the International Swaps and Derivatives Association (ISDA). Under Title VII of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act, the U.S. Securities and Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC) have been charged with developing new regulations that will likely change many past practices. Derivative contracts that are defined as "standard" will be required to trade on an exchange and settle through a centralized clearinghouse. This will include CDS transactions. Derivative trades that do not occur on an exchange will have to be reported to designated trade repositories. The expectation is that this will improve transparency in what has historically been an opaque market.

A credit event triggers the contingent payment and typically includes bankruptcy, failure to pay and restructuring (such as a reduction of interest or principal or a maturity extension undertaken in lieu of a default). The restructuring credit event differs from market to market. The U.S. high-grade market, for example, uses modified restructuring in which the securities eligible for delivery are restricted. The European market typically uses modified-modified restructuring, which is similar to modified restructuring but allows a slightly larger range of deliverable obligations in the event of a restructuring. Another difference in the various markets is that only bankruptcy and failure to pay are standard credit events in the high yield market. In addition, bankruptcy does not apply to sovereign reference entities. Obligation acceleration and repudiation/moratorium are also credit events, but are generally only used for emerging market reference entities.

In a previous Capital Markets Special Report titled, “Insights into the Insurance Industry’s Derivatives Exposure,” it was noted that the insurance industry’s exposure to CDS as of Dec. 31, 2010, totaled $33.5 billion in notional value and represented 7.2% of all swap derivatives. The life insurance industry accounted for $27.1 billion (or 80.9%) of the total outstanding notional value of CDS and the property/casualty industry accounted for $6.4 billion (or 19.1%). Health, fraternal and title insurance companies reported no outstanding CDS as of year-end 2010.

Most recently, the NAIC adopted new guidance, referred to as the Derivatives Risk Mitigation Project. Under the new guidelines, life insurers that choose to hedge their credit risk using CDS will be allowed to offset a portion of the risk-based capital (RBC) charge that is associated with the underlying asset.

This report will provide further details on the CDS exposure of the insurance industry in order to give the reader better insights into how CDS contracts are utilized by insurance companies and the specific profile of the CDS exposure.

CDS Exposure

As of year-end 2010, the notional value of CDS held by the insurance industry totaled $33.5 billion. This was a 15.7% decrease compared to year-end 2009, when the insurance industry held $39.7 billion in notional value of CDS. According to a market survey conducted by ISDA, the total notional amount outstanding of CDS as of June 30, 2010, was $26.3 trillion. The insurance industry’s exposure to CDS is merely a fraction (0.13%) of the overall market. In addition, the 15.7% year-over-year decline in CDS for the insurance industry is comparable to the overall market’s decline of 14% from $30.4 trillion as of Dec. 31, 2009.

Life insurance and property/casualty insurance companies were the only participants in the CDS market in 2010. As in 2009, health, fraternal and title insurance companies did not participate. As of Dec. 31, 2010, a total of 62 companies in 19 states participated in the CDS market: 50 were life insurance companies and 12 were property/casualty insurance companies. The top five states represented 83% of the insurance industry’s total CDS exposure. Insurance companies domiciled in Connecticut held the largest notional value of CDS, $13.1 billion, or 39% of the insurance industry’s total notional value. New York followed with the second-largest CDS exposure of $9.0 billion, or 27% of the industry’s exposure. After New York, CDS exposures by domiciled state decline dramatically, with insurance companies domiciled in Iowa holding $2.5 billion in notional value, or 7% of the insurance industry’s exposure.

In addition to concentrations in domiciled states, there are also concentrations in the insurance companies that have CDS exposure. The top five insurance companies have $24.3 billion in notional value of CDS exposure, which represents 72.5% of the insurance industry’s exposure. There is a wide range between the largest participant and the fifth-largest participant. The largest and the fifth-largest participants represent 31% and 5%, respectively, of the industry’s exposure. The most active participants in the CDS market are also the largest insurance companies in the United States, as measured by cash and invested assets.

In the CDS market, buying protection refers to reducing credit risk, and selling (or writing) protection refers to assuming credit risk. The following table illustrates that, for year-end 2010, $19.1 billion (or 57.2%) of the insurance industry’s CDS exposure was to buy protection for a certain credit risk. The remaining balance was to sell protection or assume credit risk. However, property/casualty insurance companies for the most part bought protection, with buy protection trades representing almost 75% of the industry’s notional value. Life insurance companies, on the other hand, were more active in selling protection and, therefore, had a higher percentage of sold protection. Much of this activity was to take advantage of guidance adopted in 2001 reflecting replications, or Replication (Synthetic Asset) Transactions (RSATs). These are described in greater detail below.

Notional Value	Buy Protection	Sell Protection	Total
Life	14,337,213,412	12,720,951,217	27,058,164,629
Property & Casualty	4,788,310,293	1,604,175,530	6,392,485,823
TOTAL	19,125,523,705	14,325,126,747	33,450,650,452
% of Total	57.2%	42.8%	100.0%

The following table provides CDS exposure by investment strategy for life and property/casualty insurance companies. Almost two-thirds of CDS were used for hedging purposes and one-third in replicating assets.

Notional Value	Life	Property & Casualty	Total	% of Total
Hedging	16,292,775,058	5,364,483,029	21,657,258,087	64.7%
Replications	10,765,389,571	250,500,000	11,015,889,571	32.9%
Income Generation	-	-	-	0.0%
Other	-	777,502,794	777,502,794	2.3%
TOTAL	27,058,164,629	6,392,485,823	33,450,650,452	100.0%

Credit risk is typically hedged by buying protection on a specific entity or on a specified index. An RSAT is a derivative transaction entered into in conjunction with other investments in order to reproduce the investment characteristics of otherwise permissible investments. For example, a bond is replicated by selling protection on a specific entity and combining it with a relatively risk-free, highly rated fixed-income security (or host bond) so that the cash flows replicate a typical bond. In a replication transaction that involves CDS, credit risk is often assumed. All replications transactions are reviewed and approved by the NAIC Securities Valuation Office and assigned an RSAT number by Standard & Poor's (S&P)/CUSIP. Replication transactions are reported separately in Schedule DB, Part C, but the derivative component of the replication is also reported in Schedule DB, Part A. Not all RSATs involve CDS.

The following table shows the CDS exposure in notional value by investment strategy and by whether protection was bought or sold. Almost 70% of the protection sold was in connection with a replication transaction. In the table, $4.4 billion of sold protection is connected with hedging strategies. This relates to offsetting trades. Instead of unwinding an existing CDS contract, an offsetting trade with matching notional amount, maturity and reference entity can be entered into. For example, if protection was bought for reference entity XYZ, but is no longer required because the credit is no longer a concern, one could sell protection on reference entity XYZ using the same terms in order to offset the original CDS contract. So, the original contract is not terminated and is still reported on Schedule DB, along with the offsetting trade. Offsetting transactions can, therefore, inflate the total notional value outstanding, which can be somewhat misleading. A total of $7.6 billion in notional value, or 22.8% of the industry's CDS exposure, was reported as offsetting transactions by the insurance industry for year-end 2010. For clarification, this amount includes the notional amount of bought and sold protection (i.e., the total notional amount of the original contracts and the offsetting trades). Approximately $3.9 billion reflects perfect offsets as described. The remaining $500 million balance of sold protection in the hedging category are not perfect offsets and will be analyzed for further discussion at another time.

To mitigate the inflated value caused by such trades, portfolio compression — which is not currently a requirement, but takes place regularly in the CDS market — occurs when two offsetting (or "matching") trades are effectively eliminated. However, as per proposed rules of the Dodd-Frank Act, portfolio compression will become a requirement. Such portfolio compression rules would collapse these trades and result in "tearing up" the transactions.

Notional Value	Buy Protection	Sell Protection	Total	% of Total
Hedging	17,252,120,911	4,405,137,176	21,657,258,087	64.7%
Replications	1,095,900,000	9,919,989,571	11,015,889,571	32.9%
Income Generation	-	-	-	0.0%
Other	777,502,794	-	777,502,794	2.3%
TOTAL	19,125,523,705	14,325,126,747	33,450,650,452	100.0%

The maturity of a CDS contract at creation is typically five years, but can be shorter or longer in some instances. The maturity profile of the CDS held by the insurance industry is within the typical five-year maturity, as 85.7% of the notional value in CDS matures in 2011 through 2015 (see the table below for further details).

Maturity Year	Notional Value			% of Total
	Life	Property & Casualty	Total	
2011	1,479,879,000	280,057,000	1,759,936,000	5.3%
2012	1,819,459,000	578,518,513	2,397,977,513	7.2%
2013	3,627,466,599	1,386,706,870	5,014,173,469	15.0%
2014	7,657,553,171	1,407,443,754	9,064,996,925	27.1%
2015	8,513,768,506	1,891,406,972	10,405,175,478	31.1%
2016-2020	3,017,066,353	523,352,714	3,540,419,067	10.6%
2021+	942,972,000	325,000,000	1,267,972,000	3.8%
TOTAL	27,058,164,629	6,392,485,823	33,450,650,452	100.0%

The credit quality of the reference entities is strong, with 86% of the notional value of CDS exposure in reference entities that are designated either NAIC 1 or NAIC 2 (see table below).

NAIC Designation	Notional Value							% of Total
	Buy Protection			Sell Protection			Total	
	Life	Property & Casualty	Total Buy Protection	Life	Property & Casualty	Total Sell Protection		
NAIC-1	7,277,248,738	1,974,651,446	9,251,897,184	8,182,919,687	784,450,870	8,967,370,707	18,219,267,891	48.8%
NAIC-2	3,732,748,073	1,961,913,054	7,694,661,127	4,400,677,380	667,648,660	5,068,327,040	12,762,988,167	38.2%
NAIC-3	962,687,000	198,025,000	1,160,712,000	423,737,000	96,575,000	520,312,000	1,681,024,000	5.0%
NAIC-4	107,400,000	189,600,000	296,200,000	44,300,000	3,000,000	47,300,000	343,700,000	1.0%
NAIC-5	19,437,000	9,500,000	28,937,000	23,137,000	2,500,000	25,637,000	54,614,000	0.2%
NAIC-6	19,831,000	-	29,831,000	146,980,000	50,000,000	196,980,000	226,811,000	0.7%
Not Designated	201,874,600	461,370,784	663,245,894	1,499,000,000	-	1,499,000,000	2,162,245,894	6.3%
TOTAL	14,887,218,412	4,788,810,288	19,123,928,705	12,720,991,217	1,604,175,530	14,325,126,747	33,450,650,452	100.0%

As discussed previously, a reference entity is typically a single-name entity, but can also be a basket of single-name entities or an index. Insurance companies are required to provide a complete and accurate description of the CDS transaction, including the reference entity. However, this description column in Schedule DB is a “write-in” column and, therefore, is not uniform across all insurance companies. In addition, given that 2010 is the first full year for the revised Schedule DB, some of the data provided was incomplete or will take more time to analyze. As such, the Capital Markets Bureau has made its best efforts to properly categorize all of the CDS transactions by reference entity, but some of this data might require further fine-tuning. Nonetheless, we expect that as insurance companies become more comfortable with the revised Schedule DB and gain a better understanding of what data needs to be reported and in what format, the data in Schedule DB will be much more robust and comprehensive.

The following table breaks out the insurance industry’s CDS exposure by bought and sold protection, as well as whether the CDS was on a single-name entity or an index trade. Approximately 56% of the industry’s exposure is to single-name CDS; the remainder is index CDS. Typically, single-name CDS is used to hedge or replicate a specific entity’s credit risk, while the index CDS is used to hedge or replicate portfolio credit risk.

Notional Value	Buy Protection	Sell Protection	Total	% of Total
Single-Name CDS	12,485,800,364	6,133,689,040	18,619,489,404	55.7%
Index CDS	6,639,723,341	8,191,437,707	14,831,161,048	44.3%
TOTAL	19,125,523,705	14,325,126,747	33,450,650,452	100.0%

Within the single-name CDS, there were no significant concentrations in any one credit. The following chart shows the top 10 reference entities for which CDS was either purchased or sold by the insurance industry. These top 10 reference entities represent $4.2 billion (or 12.6%) of the insurance industry's notional value in CDS exposure. The highest amount of activity was in the Bank of America credit, with most of the activity concentrated in hedging credit risk by buying protection with CDS. For these 10 reference entities, the highest amount of activity for assuming credit risk was in the MetLife credit. The insurance industry has sold $350 million in notional value of CDS in the MetLife name, all in replication transactions. The CDS transactions in the United Kingdom sovereign credit were offsetting trades on a portfolio hedge. As was described previously, an offsetting trade is entered into instead of unwinding or closing out an existing CDS transaction. In doing so, the outstanding notional amount of CDS contracts is inflated, resulting in misleading totals.

Reference Entity or Issuer Name	Notional Value			% of Total CDS
	Buy Protection	Sell Protection	Total	
Bank of America	663,100,000	25,000,000	688,100,000	2.1%
Societe Generale	615,402,331	-	615,402,331	1.8%
United Kingdom	265,000,000	265,000,000	530,000,000	1.6%
MetLife	35,500,000	350,000,000	385,500,000	1.2%
Spain	190,000,000	190,000,000	380,000,000	1.1%
Citgroup	360,400,000	5,000,000	365,400,000	1.1%
JP Morgan	345,000,000	15,000,000	360,000,000	1.1%
Zurich Financial	335,385,897	-	335,385,897	1.0%
Carnival	153,933,000	131,433,000	285,366,000	0.9%
Wachovia	252,200,000	18,300,000	270,500,000	0.8%
TOTAL	3,215,921,228	999,733,000	4,215,654,228	12.6%

The insurance industry's CDS exposure to foreign entities totaled $3.9 billion in notional value, or 16.2% of the industry's CDS exposure. Furthermore, $1.5 billion of the CDS exposure was on the sovereigns listed in the table below. The top five sovereign exposures were to eurozone countries. However, there was no evidence of protection bought or sold on either Greece or Ireland. It should also be noted that the notional value of CDS exposure in the United Kingdom were offsetting trades, as discussed previously. The CDS exposure in Spain, Italy, Germany and France were also offsetting trades.

The Capital Markets Bureau is closely following the ongoing developments related to Greece's financial distress. A restructuring of Greek debt would result in the triggering of a credit event and subsequent payment on Greek CDS contracts. Therefore, the eurozone governments are negotiating with European Union (EU)-based financial institutions to voluntarily reinvest their maturing Greek debt proceeds into new Greek debt instruments, albeit at lower market rates, (which is also known as "reprofiling" or "rolling over"), to avoid triggering an event of default within the CDS contracts. France appears to have taken the initiative by developing a reinvestment process that would result in French financial institutions reinvesting the proceeds of their Greek bonds into new Greek debt. The reinvestments would be made at a much lower interest rate than they had received on the maturing Greek debt; however, they would reinvest

at the same fixed yield as the proposed EU/International Monetary Fund financial assistance package, plus receive an additional yield based on economic factors.

Sovereign	Notional Value			% of Total CDS
	Life	Property & Casualty	Total	
United Kingdom	390,000,000	140,000,000	530,000,000	1.6%
Spain	290,000,000	90,000,000	380,000,000	1.1%
Italy	190,000,000	10,000,000	200,000,000	0.6%
Germany	98,000,000	102,000,000	200,000,000	0.6%
France	70,000,000	30,000,000	100,000,000	0.3%
Chile	50,000,000	-	50,000,000	0.1%
Mexico	24,224,000	-	24,224,000	0.1%
Sovereign Total	1,112,224,000	372,000,000	1,484,224,000	4.4%
Other Foreign Total	1,191,809,600	1,250,950,637	2,442,760,237	7.3%
TOTAL FOREIGN	2,304,033,600	1,622,950,637	3,926,984,237	11.7%

Counterparty Exposure

Counterparty risk is the risk faced by a party that the other party will not satisfy the obligations of a derivative contract. Insurance companies face counterparty risk when entering into CDS contracts as they are traded over-the-counter. As discussed in a previous Capital Markets Special Report, large financial institutions are typically the most common counterparties in the derivatives market. The following table summarizes the exposure in notional value of CDS held by the insurance industry by counterparty. The counterparties for CDS contracts are the same as those for the derivatives market as a whole, but counterparty exposure is much more concentrated in these 11 counterparties for CDS. The following table illustrates that the 11 counterparties represent 91.1% of the notional value outstanding in the insurance industry. Goldman Sachs was the largest counterparty, with Credit Suisse and Bank of America the next largest counterparties.

Counterparty	Notional Value			% of Total
	Buy Protection	Sell Protection	Total	
Goldman Sachs	3,700,391,700	1,515,656,250	5,216,047,950	15.6%
Credit Suisse	1,734,221,136	2,020,608,886	3,754,830,022	11.2%
Bank of America	1,713,512,438	1,952,542,571	3,666,055,009	11.0%
Deutsche Bank	2,668,757,621	943,310,040	3,612,067,661	10.8%
Morgan Stanley	864,950,000	2,736,062,381	3,601,012,381	10.8%
JP Morgan Chase	1,904,806,707	1,600,257,000	3,505,063,707	10.5%
Barclays Bank	1,976,134,230	1,317,192,000	3,293,326,230	9.8%
Citigroup	916,491,873	1,273,997,619	2,190,489,492	6.5%
BNP Paribas	891,900,000	175,000,000	1,066,900,000	3.2%
HSBC	180,875,000	125,000,000	305,875,000	0.9%
Merrill Lynch	233,385,000	30,000,000	263,385,000	0.8%
Others	2,340,098,000	635,500,000	2,975,598,000	8.9%
Total	19,125,523,705	14,325,126,747	33,450,650,452	100.0%

Furthermore, if we isolate the counterparty exposure to bought protection, which more accurately depicts the counterparty risk borne by the insurance industry, counterparty exposure totals $19.2 billion in notional value. In addition, Goldman Sachs remains the largest counterparty, but the second- and third-largest counterparties changes to Deutsche Bank and Barclays Bank, respectively.

Credit Derivatives Market

With recent signs of continued weakness in the U.S. economy and concerns regarding the financial strain of European sovereigns, there has been a flight to quality in the credit markets, although all markets are generally wider. Investors are being more cautious and taking less risk; therefore, high-grade credits are outperforming their high-yield counterparts. This flight to quality can be seen in the credit derivative indices that are representative of the high-grade and high-yield corporate credit market.

The desire to hedge credit risk has been a significant reason for growth in the index-based market. It is not uncommon to find little or no market for CDS in a given name. Depending on the specific asset, using an index might be the only alternative, or the most cost-efficient alternative.

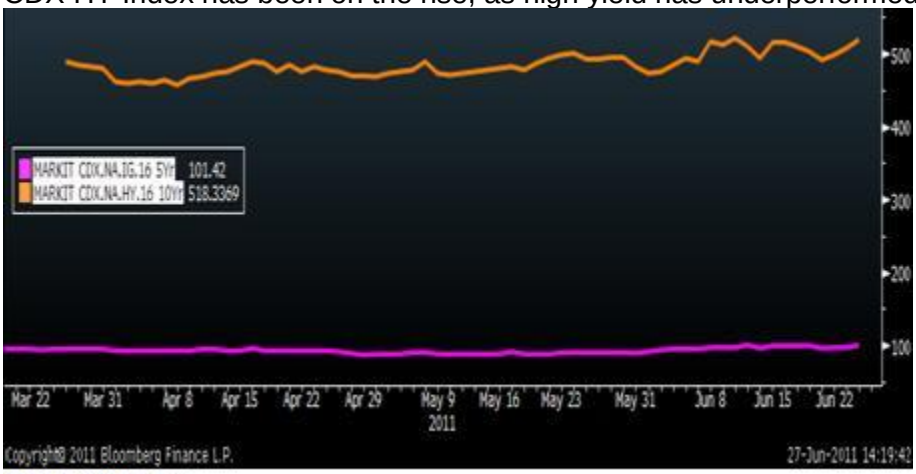
The CDX North America Investment Grade Index (CDX IG Index) is composed of 125 investment grade, North American companies in six sectors: high volatility; consumer; energy; financial; industrial; and technology, media and telecommunications. The chart below depicts the spread of the CDX IG Index, which reached its widest level of 101 basis points (bps) June 24, 2011, and is 7 bps wider than its three-month average of 94 bps. The monthly average volume for the CDX IG Index is $20.8 billion in gross notional amount.

Source: Bloomberg.

In contrast, the spread on the CDX North America High Yield Index (CDX HY Index) is 38 bps wider than its three-month average of 450 bps. The CDX HY Index reached its widest level of approximately 510 bps June 16, 2011, and was close to that level June 24, 2011. The following chart shows the price for the CDX HY Index; the high yield's market convention is to quote prices as opposed to spreads (as in the investment grade market). So, as a reminder, price is inversely related to spreads. The CDX HY Index is composed of 100 non-investment grade, North American companies in three sectors: B, BB and high-beta names. The monthly average volume for the CDX HY Index is $5.5 billion in gross notional amount.

Source: Bloomberg.

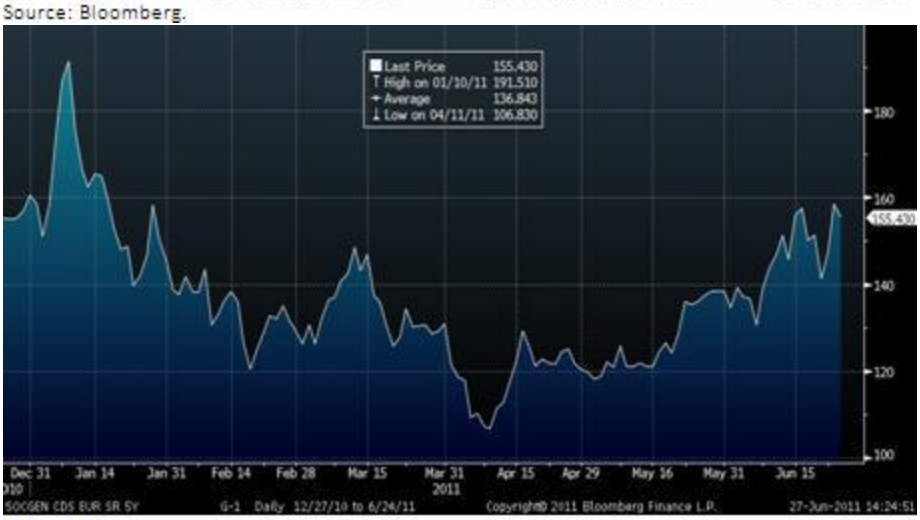
The following chart provides a comparison of the spreads for the CDX IG Index and the CDX HY Index. The line at the bottom of the chart represents the CDX IG Index and has been relatively stable over the past three months. The line at the top of the chart represents the CDX HY Index and the spread volatility can be seen quite clearly. In recent days, the spread on the CDX HY Index has been on the rise, as high yield has underperformed high grade.



Source: Bloomberg.

Single-name CDS spreads have also been widening, given concerns with the U.S. economy and financial strain in Europe. The first chart graphs the five-year CDS spread for Bank of America, and shows that spreads are approaching the widest level of 182 bps reached in late-December. The second chart graphs the 5-year CDS spread for Societe Generale and shows a similar trend of spread widening in recent weeks.

Source: Bloomberg.



Source: Bloomberg.

Other examples of CDS indices include the iTraxx and ABX indices. The iTraxx index is composed of 125 investment grade (European or Asian) companies in six sectors that are denominated in foreign currencies: autos; consumers; energy; financials; industrials; and telecom, media and technology. The ABX index represents a standardized basket of reference obligations for home equity asset-backed securities (ABS).

June 24, 2011 Major Insurer Share Prices			Change %			Prior		
		Close	Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	$44.30	(1.6)	(16.1)	(21.5)	$45.02	$52.78	$56.43
	Ameriprise	55.36	(2.3)	(9.4)	(3.8)	56.66	61.08	57.55
	Genworth	9.95	(2.5)	(26.1)	(24.3)	10.20	13.46	13.14
	Lincoln	26.76	(0.7)	(10.9)	(3.8)	26.95	30.04	27.81
	MetLife	40.98	1.5	(8.4)	(7.8)	40.37	44.73	44.44
	Principal	29.01	(0.3)	(9.7)	(10.9)	29.10	32.11	32.56
	Protective	21.90	(0.5)	(17.5)	(17.8)	22.00	26.55	26.64
	Prudential	59.71	0.9	(3.0)	1.7	59.19	61.58	58.71
	UNUM	24.52	(2.1)	(6.6)	1.2	25.04	26.25	24.22
PC	ACE	$63.97	(0.5)	(1.1)	2.8	$64.31	$64.70	$62.25
	Axis Capital	30.73	0.6	(12.0)	(14.4)	30.54	34.92	35.88
	Allstate	29.43	(0.7)	(7.4)	(7.7)	29.65	31.78	31.88
	Arch Capital	31.99	(1.7)	(3.2)	9.0	32.55	33.06	29.35
	Cincinnati	28.13	(2.6)	(14.2)	(11.2)	28.88	32.79	31.69
	Chubb	60.93	(2.8)	(0.6)	2.2	62.66	61.31	59.64
	Everest Re	80.55	(1.6)	(8.7)	(5.0)	81.83	88.18	84.82
	Progressive	20.56	1.0	(2.7)	3.5	20.36	21.13	19.87
	Travelers	56.68	(2.1)	(4.7)	1.7	57.92	59.48	55.71
	WR Berkley	31.49	(1.8)	(2.2)	15.0	32.07	32.21	27.38
	XL	21.18	(0.7)	(13.9)	(2.9)	21.32	24.60	21.82
Other	AON	$49.09	(0.6)	(7.3)	6.7	$49.39	$52.96	$46.01
	AIG	28.45	1.7	(19.0)	(41.1)	27.98	35.14	48.27
	Assurant	35.05	0.1	(9.0)	(9.0)	35.03	38.51	38.52
	Fidelity National	15.41	2.3	9.1	12.6	15.07	14.13	13.68
	Hartford	24.72	1.1	(8.2)	(6.7)	24.44	26.93	26.49
	Marsh	29.94	0.5	0.4	9.5	29.79	29.81	27.34
Health	Aetna	$43.28	0.2	15.6	41.9	$43.21	$37.43	$30.51
	Cigna	48.42	(1.0)	9.3	32.1	48.89	44.28	36.66
	Humana	80.38	3.7	14.9	46.8	77.51	69.94	54.74
	United	50.46	1.0	11.6	39.7	49.96	45.20	36.11
	WellPoint	77.33	1.4	10.8	36.0	76.24	69.79	56.86
Monoline	Assured	$15.28	0.5	2.6	(13.7)	$15.20	$14.90	$17.70
	MBIA	8.29	3.6	(17.4)	(30.9)	8.00	10.04	11.99
	MGIC	6.04	(4.6)	(32.1)	(40.7)	6.33	8.89	10.19
	PMI	1.22	5.2	(54.8)	(63.0)	1.16	2.70	3.30
	Radian	3.92	0.5	(42.4)	(51.4)	3.90	6.81	8.07
	XL Capital	21.18	(0.7)	(13.9)	(2.9)	21.32	24.60	21.82

June 24, 2011 Major Market Variables	Close	Change % Week	Change % QTD	Change % YTD	Prior Week	Prior Quarter	Prior Year
Dow Jones Ind	11,934.58	(0.6)	(3.1)	3.1	12,004.36	12,319.73	11,577.51
S&P 500	1,268.45	(0.2)	(4.3)	0.9	1,271.50	1,325.83	1,257.64
S&P Financial	198.77	(1.0)	(9.9)	(7.4)	200.82	220.71	214.77
S&P Insurance	179.80	(0.1)	(7.8)	(4.5)	180.03	194.96	188.22
US Dollar $		Change %			Prior		
/ Euro	$1.42	(0.9)	0.2	6.0	$1.43	$1.42	$1.34
/ Crude Oil bbl	91.12	(2.1)	(14.6)	(1.2)	93.07	106.72	92.22
/ Gold oz	1,500.50	(2.5)	4.3	5.6	1,538.60	1,438.90	1,420.78
Treasury Ylds %	%	Change			%	%	%
1 Year	0.14	(0.02)	(0.14)	(0.13)	0.16	0.28	0.27
10 Year	2.87	(0.07)	(0.60)	(0.43)	2.94	3.47	3.30
30 Year	4.19	(0.01)	(0.32)	(0.15)	4.20	4.51	4.34
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	85.67	(1.9)	2.2	0.8	87.30	83.81	85.00

June 24, 2011
Major Insurer Bond Yields

	Company	Coupon	Maturity	Price			Spread	
				Current	Change	Yield	B.P.	Change
Life	Aflac	8.500%	5/15/2019	$124.62	$0.50	4.72%	229	2
	Ameriprise	5.300%	3/15/2020	$109.63	$0.38	3.98%	134	6
	Genworth	6.515%	5/15/2018	$102.07	($0.08)	6.14%	392	10
	Lincoln National	8.750%	7/15/2019	$128.36	$0.38	4.49%	203	3
	MassMutual	8.875%	6/15/2039	$140.77	($0.63)	5.88%	175	5
	MetLife	4.750%	2/15/2021	$103.41	$0.60	4.31%	145	2
	Mutual of Omaha	6.800%	6/15/2036	$108.43	($0.00)	6.14%	219	2
	New York Life	6.750%	11/15/2039	$118.34	($0.41)	5.47%	129	4
	NLV Financial	7.500%	8/15/2033	$117.34	$0.05	6.06%	231	3
	Northwestern Mutual	6.063%	3/15/2040	$108.99	$0.38	5.44%	124	(1)
	Pacific Life	9.250%	6/15/2039	$135.72	$1.21	6.47%	233	(5)
	Principal	6.050%	10/15/2036	$106.85	$0.38	5.54%	161	4
	Prudential	4.500%	11/15/2020	$101.17	$0.64	4.35%	153	(2)
	TIAA	6.850%	12/15/2039	$115.96	$0.53	5.71%	150	(3)
P&C	ACE INA	5.900%	6/15/2019	$114.97	$0.58	3.71%	122	(1)
	Allstate	7.450%	5/15/2019	$121.75	$0.39	4.18%	176	4
	American Financial	9.875%	6/15/2019	$125.26	($0.68)	5.86%	338	16
	Berkshire Hathaway	5.400%	5/15/2018	$113.23	$0.29	3.24%	107	7
	Travelers	3.900%	11/15/2020	$98.64	$0.53	4.08%	124	(1)
	XL Group	6.250%	5/15/2027	$103.23	$2.17	5.93%	260	(2)
Other	AON	5.000%	9/15/2020	$105.13	$0.81	4.32%	154	(2)
	AIG	5.850%	1/15/2018	$104.93	$0.14	4.96%	291	8
	Fidelity National	7.875%	7/15/2020	$105.88	($4.88)	6.99%	476	10
	Hartford	5.500%	3/15/2020	$104.85	($0.08)	4.81%	215	7
	Marsh	9.250%	4/15/2019	$130.57	$0.82	4.55%	210	(0)
	Nationwide	9.375%	8/15/1939	$128.44	$2.06	7.04%	290	(13)
Health	Aetna	3.950%	9/15/2020	$100.73	$0.64	3.85%	111	(0)
	CIGNA	5.125%	6/15/2020	$108.33	$0.47	4.01%	129	2
	United Healthcare	3.875%	10/15/2020	$100.17	$0.45	3.85%	112	3
	Wellpoint	4.350%	8/15/2020	$103.14	$0.47	3.94%	118	1

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