Insurance Sector Weightings:
P&C – Personal – Market Weight
P&C – Commercial – Underweight
Reinsurance – Market Weight
Life – Market Weight

Insurance Accounting Roundtable Discussion Takeaways

- A roundtable/panel discussion was held on June 9 debating proposed changes to insurance accounting. Panel members on the debate consisted of industry CFOs from ACE, Hartford, MetLife, Principal, Protective, SunLife and Travelers, an academic from Yale, as well as a number of buy-side and sell-side analysts.
- The overwhelming majority of panel members seemed to have a negative response to the proposed changes to insurance contract accounting, although some constructive feedback was also provided as to how we could make the current U.S. accounting regime better.
- The meeting was well attended by both fixed income and equity investors, as well as members of the IASB and the FASB. Members of the SEC were also on the phone.

Some key takeaways from the meeting were as follows:

- Investor surveys conducted by three sell-side equity analysts covering both the P&C and life sector identified a lack of support for the proposed changes to insurance accounting. One of the more interesting data points from these surveys, in our opinion, was that more than 90% of respondents believed the new standards would make insurance financial statements more difficult to understand.

- The academic from Yale provided an interesting historical background on accounting overhauls, including examples of work done that could indicate unintended consequences are a potential outcome of starting from a fresh slate. He also questioned the term “fair value” and its appropriateness, as the potential move to “accounting from markets” as opposed to “accounting for markets” may not prove to be useful for making investing decisions based on the long-term economics of the business.

- Several of the CFOs in the room gave some perspective on the issue, with one for a major life company concerned that the changes could make the life sector “uninvestable.” There were also concerns with the IASB and FASB not speaking with one voice and the political fight that has essentially mounted between these two bodies. There were concerns around how this could affect investor confidence as a result.
• Other items for consideration were the concept that life insurers and pension funds are the largest providers of capital for long-term funding needs of the market, and how some of these changes could potentially alter that investing behavior.

• The notion of accounting fatigue for investors and management teams was a valid concern, in our minds, as other changes are being digested at this time. One CFO indicated regulatory and accounting changes are seen as one of the top risks his company is dealing with right now.

• The proposals in their current form also gave some on the panel concerns around the level of adjustments necessary to illustrate the underlying earnings run rate. We’ve expressed concerns on this issue as well, as it could damage the integrity of operating income, in our opinion. Elevated volatility was also highlighted as a result of the new model, with headline risk potentially weighing on items such as public confidence.

• Other concerns expressed by investors were the even further removal from comparability to other industries following these changes and the struggles portfolio managers may have investing in the sector as a result. There were cost of capital concerns expressed by CFOs on the panel as a result of this view.

• The consensus view seemed to support the notion of leaving the P&C model alone in its current format, although some suggestions for improvement were offered on the disclosure front for this sector. These items included something akin to Schedule P triangles provided in the GAAP statements and better disclosure around PMLs for CAT risk.

• On the life side, some recommendations for improvement focused primarily on FAS 60 and FAS 97, with one investor suggesting that perhaps the life sector should follow what some P&C companies do in performing either an annual or biennial reserve review, with any changes in assumptions flowing through reserves. A clearer allocation/guideline between what is allocated to DAC and reserves was also offered up. Investors should be aware that the same architect who helped develop these items that investors want fixed in the U.S. is also involved in the new proposals.

• Boiling the discussion down to valuation, there was a clear concern about the overhang the proposals could have on trading multiples, while for bondholders we think the proposals could alter the discussion of whether life insurance spreads in particular remain cheap or simply trade wide if the proposals are adopted.
DISCLOSURE APPENDIX

Additional information is available on request.

Company Recommendation Definitions
- **Buy:** The security is trading cheap to its peer group and/or the market and has significant total return potential.
- **Outperform:** On a relative basis, the security is expected to outperform its peer group and/or the market.
- **Market Perform:** The security is expected to perform in line with its peer group and/or the market.
- **Underperform:** On a relative basis, the security is expected to underperform its peer group and/or the market.
- **Sell:** The security is trading rich to its peer group and/or the market and has the potential to significantly underperform based on fundamental reasons.

Sector Recommendation Definitions
- **Overweight:** We expect the sector to outperform the relevant broader market benchmark.
- **Market Weight:** We expect the sector to perform in line with the relevant broader market benchmark.
- **Underweight:** We expect the sector to underperform the relevant broader market benchmark.

This report was prepared by Wells Fargo Securities, LLC.

About Wells Fargo Securities, LLC
Wells Fargo Securities, LLC is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

Important Information for Non-U.S. Recipients

**EEA**
The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Services Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FSA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

**Australia**
Wells Fargo Securities, LLC is exempt from the requirements to hold an Australian financial services license in respect of the financial services it provides to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under U.S. laws which differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC in the course of providing the financial services will be prepared in accordance with the laws of the United States and not Australian laws.

**Hong Kong**
This report is issued and distributed in Hong Kong by Wells Fargo Securities Asia Limited ("WFSAL"), a Hong Kong incorporated investment firm licensed and regulated by the Securities and Futures Commission to carry on types 1, 4, 6 and 9 regulated activities (as defined in the Securities and Futures Ordinance, “the SFO”). This report is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO). Any securities and related financial instruments described herein are not intended for sale, nor will be sold, to any person other than professional investors (as defined in the SFO).

**Japan**
This report is distributed in Japan by Wells Fargo Securities (Japan) Co., Ltd, registered with the Kanto Local Finance Bureau to conduct broking and dealing of type 1 and type 2 financial instruments and agency or intermediary service for entry into investment advisory or discretionary investment contracts. This report is intended for distribution only to professional investors (Tokutei Toushika) and is not intended for, and should not be relied upon by, ordinary customers (Ippan Toushika).

The ratings stated on the document are not provided by rating agencies registered with the Financial Services Agency of Japan (JFSA) but by group companies of JFSA-registered rating agencies. These group companies may include Moody's Investors Services Inc, Standard & Poor's Rating Services and/or Fitch Ratings. Any decisions to invest in securities or transactions should be made after reviewing policies and methodologies used for assigning credit ratings and assumptions, significance and limitations of the credit ratings stated on the respective rating agencies' websites.
Important Disclosures Relating to Conflicts of Interest and Potential Conflicts of Interest

Wells Fargo Securities, LLC or its affiliates may have a significant financial interest in ACE Limited, The Hartford Financial Services Group, Inc., MetLife, Inc., The Travelers Companies, Inc., Protective Life Corporation, Principal Financial Group, Inc.

Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from The Travelers Companies, Inc., Principal Financial Group, Inc., The Hartford Financial Services Group, Inc., ACE Limited, MetLife, Inc., Protective Life Corporation in the next three months.

Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from The Travelers Companies, Inc., MetLife, Inc., The Hartford Financial Services Group, Inc., Principal Financial Group, Inc. in the past 12 months.

Wells Fargo Securities, LLC received compensation for products or services other than investment banking services from ACE Limited, MetLife, Inc., The Travelers Companies, Inc. in the past 12 months.

MetLife, Inc., The Travelers Companies, Inc., Principal Financial Group, Inc., ACE Limited, The Hartford Financial Services Group, Inc. currently is, or during the 12 month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to MetLife, Inc., The Travelers Companies, Inc., Principal Financial Group, Inc., ACE Limited, The Hartford Financial Services Group, Inc., ACE Limited, The Travelers Companies, Inc. currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided non-investment banking securities-related services to ACE Limited, The Travelers Companies, Inc.

MetLife, Inc., The Travelers Companies, Inc. currently is, or during the 12 month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided non-securities services to MetLife, Inc., The Travelers Companies, Inc.

Wells Fargo Securities, LLC, or its affiliates, managed or co-managed a public offering of securities for MetLife, Inc., The Travelers Companies, Inc., The Travelers Companies, Inc. within the past 12 months.

Wells Fargo Securities, LLC may sell or buy the subject securities to/from customers on a principal basis or act as a liquidity provider in such securities.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC research analysts receive compensation that is based on and affected by the overall profitability of their respective department and the firm, which includes, but is not limited to, investment banking revenue.

Wells Fargo Securities, LLC Fixed Income Research analysts interact with the firm’s trading and sales personnel in the ordinary course of business. The firm trades or may trade as a principal in the securities or related derivatives mentioned herein. The firm’s interests may conflict with the interests of investors in those instruments.

For additional disclosure information please go to: www.wellsfargo.com/research.

Analyst’s Certification
The research analyst(s) principally responsible for the report certifies to the following: all views expressed in this research report accurately reflect the analysts’ personal views about any and all of the subject securities or issuers discussed; and no part of the research analysts’ compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Ratings History Chart

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Description</th>
<th>Date</th>
<th>Rating</th>
<th>Date</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE Limited</td>
<td>n/a</td>
<td>12/18/09</td>
<td>Market Perform</td>
<td>2/24/06</td>
<td>Market Perform</td>
</tr>
<tr>
<td>MetLife, Inc.</td>
<td>n/a</td>
<td>7/30/08</td>
<td>Market Perform</td>
<td>12/19/07</td>
<td>Outperform</td>
</tr>
<tr>
<td>Principal Financial Group, Inc.</td>
<td>n/a</td>
<td>11/02/10</td>
<td>Market Perform</td>
<td>7/27/09</td>
<td>Outperform</td>
</tr>
<tr>
<td>Protective Life Corporation</td>
<td>n/a</td>
<td>12/21/10</td>
<td>Outperform</td>
<td>n/a</td>
<td>none</td>
</tr>
<tr>
<td>The Hartford Financial Services Group, Inc.</td>
<td>n/a</td>
<td>5/04/11</td>
<td>Market Perform</td>
<td>8/05/10</td>
<td>Underperform</td>
</tr>
<tr>
<td>The Hartford Financial Services Group, Inc.</td>
<td>4.7% Sr. Notes, 09/01/2007</td>
<td>6/11/08</td>
<td>Dropped</td>
<td>4/19/04</td>
<td>Market Perform</td>
</tr>
</tbody>
</table>
Distribution of Ratings

As of 6/10/11

0.5% of issuers and securities covered by Wells Fargo Securities, LLC Fixed Income Research are rated Buy. Wells Fargo Securities, LLC has provided investment banking services for 66.7% of its Fixed Income Buy-rated issuers.

31.4% of issuers and securities covered by Wells Fargo Securities, LLC Fixed Income Research are rated Outperform. Wells Fargo Securities, LLC has provided investment banking services for 33.7% of its Fixed Income Outperform-rated issuers.

54.3% of issuers and securities covered by Wells Fargo Securities, LLC Fixed Income Research are rated Market Perform. Wells Fargo Securities, LLC has provided investment banking services for 31.7% of its Fixed Income Market Perform-rated issuers.

13.9% of issuers and securities covered by Wells Fargo Securities, LLC Fixed Income Research are rated Underperform. Wells Fargo Securities, LLC has provided investment banking services for 20.7% of its Fixed Income Underperform-rated issuers.

This report, IDs, and passwords are available at www.wellsfargo.com/research

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information. The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC, to be reliable, but Wells Fargo Securities, LLC does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Wells Fargo Securities, LLC, at this time, and are subject to change without notice. For the purposes of the U.K. Financial Services Authority’s rules, this report constitutes impartial investment research. Each of Wells Fargo Securities, LLC, and Wells Fargo Securities International Limited is a separate legal entity and distinct from affiliated banks. Copyright © 2011 Wells Fargo Securities, LLC.