

To: Industry and Interested Persons
 From: Stewart Guerin, Chair of the Valuation of Securities (E) Task Force
 Members of the Valuation of Securities (E) Task Force
 Re: **Final** Macroeconomic Assumptions and Scenarios to be used for the Year End 2015 Annual Surveillance of Insurer Owned RMBS and CMBS
 Date: October 8, 2015

1. Introduction - This document contains the macroeconomic assumptions, scenarios and probability weightings that the NAIC Structured Securities Group (SSG) recommends for use in the 2015 Annual Surveillance of insurer owned RMBS/CMBS (the “Recommendation”).

2. Public Meeting Schedule – The Task Force held the regulator to regulator session with SSG staff required by Part Seven, Section 6 (a) (iii) 3 (a) (i) of the *Purposes and Procedures Manual* on September 9, 2015 to discuss the Recommendation. The SSG was then instructed to release this memorandum in anticipation of a public conference call scheduled for **September 15, 2015** to permit industry investment professionals knowledgeable about RMBS and CMBS to comment on the Recommendation. After the meeting of September 15th the Task Force reconvened during a public conference call on **October 8th, 2015** at which time it adopted the final macroeconomic assumptions, scenarios and related probability weighting instructions to the SSG as set forth herein.¹

3. The Recommendations

a. **Baseline macroeconomic factors** - The table below outlines some of the parameters of the baseline scenario:

Parameters	Q2 2015 (Actual)	Q2 2017 (Forecast)
Case Shiller National HPI (Index 2000M1 =100)	170.6*	186.9
NCREIF National Property Index (Index 1990M1=100)	111.4	109.7
Unemployment Rate	5.4%	4.7%
Consumer Price Index (Index 1982 – 84 =100)	236.9	247.8
GDP (2009\$ Annualized Growth)	2.3%	2.8%

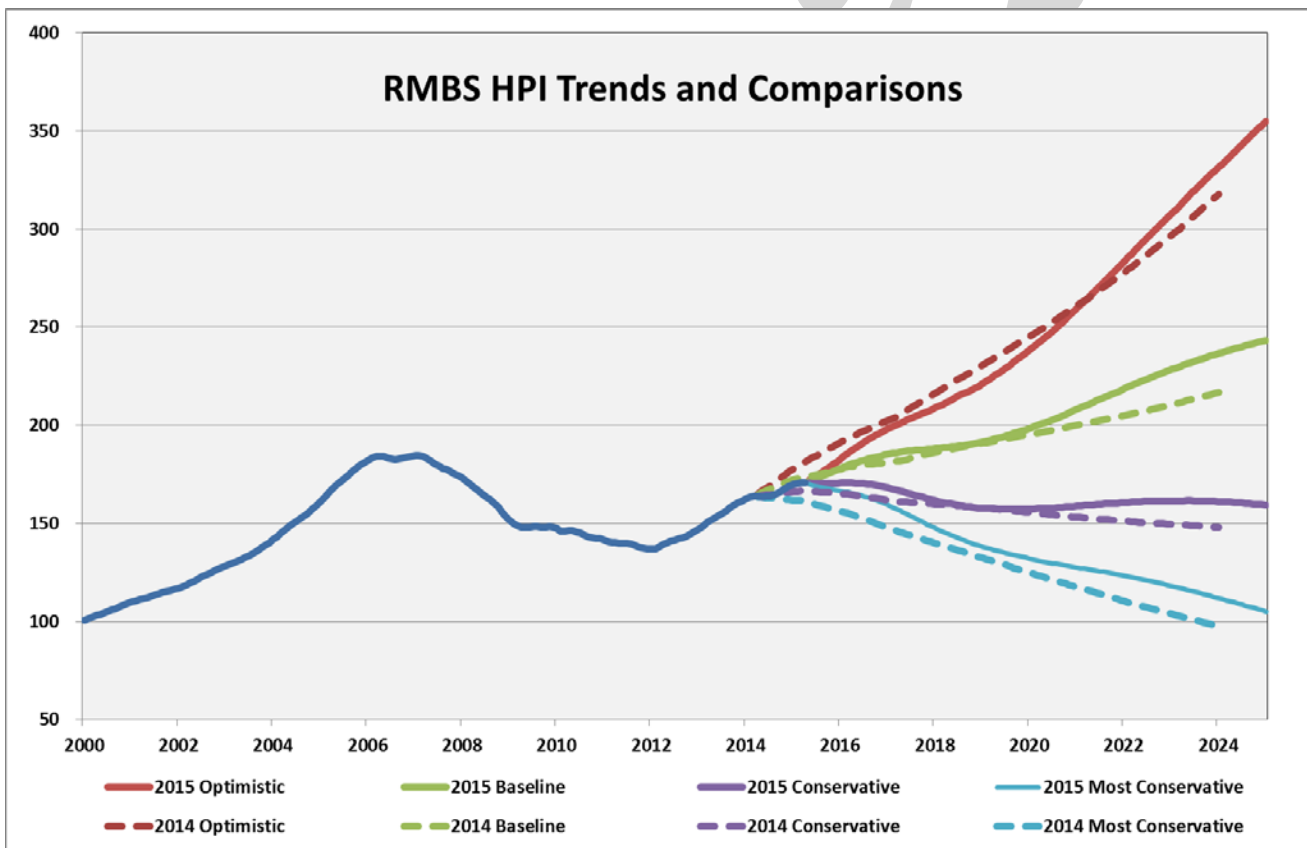
* HPI as of April 2015, the latest figure available.

b. **Recommended scenarios** - In addition to a Baseline scenario, BlackRock Solutions will model the securities under additional scenarios, with applicable weightings, as shown in the tables, below:

¹ Please see Part Seven, Section 6 (a) of the Purposes and Procedures Manual for a description of process and methodology for RMBS and CMBS.

RMBS: Comparison of Scenarios

RMBS Scenario	Probability	Current to Trough	Time of Trough	3-year HPA Growth	5-Year HPA Growth
2015 Scenarios and Forecasts					
Optimistic	10%	N/A	N/A	24%	43%
Baseline	50%	N/A	N/A	11%	18%
Conservative	25%	-8%	Q1 2019	-6%	-8%
Most Conservative	15%	-43%	Q1 2027	-15%	-23%
2014 Scenarios and Forecasts					
Optimistic	10%	N/A	N/A	25%	42%
Baseline	50%	N/A	N/A	11%	17%
Conservative	25%	-10%	Q4 2025	-1%	-4%
Most Conservative	15%	-44%	Q4 2026	-11%	-20%



Source: Case Shiller and BlackRock Solutions

National HPI (Index 2000M1 =100)

CMBS: Comparison of Scenarios

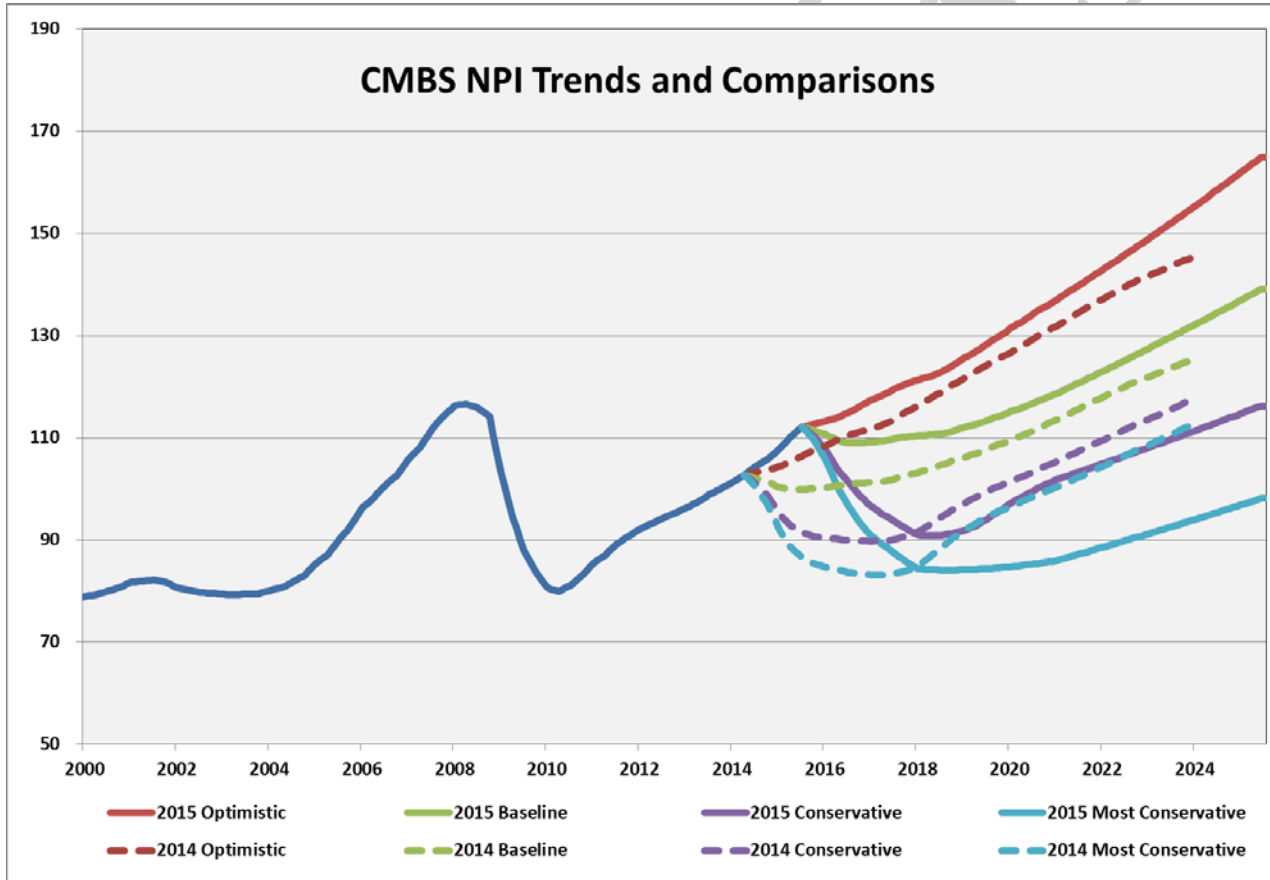
CMBS Scenario	Probability	Current to Trough	Time of Trough	3-year NPI Growth	5-Year NPI Growth
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2015 Scenarios and Forecasts

Optimistic	10%	N/A	N/A	10%	20%
Baseline	55%	-3%	Q2 2016	-1%	4%
Conservative	25%	-19%	Q2 2018	-19%	-11%
Most Conservative	10%	-25%	Q3 2018	-25%	-24%

2014 Scenarios and Forecasts

Optimistic	10%	N/A	N/A	10%	20%
Baseline	55%	-3%	Q2 2015	-1%	4%
Conservative	25%	-13%	Q1 2017	-13%	-4%
Most Conservative	10%	-19%	Q2 2017	-19%	-9%



Source: NCREIF and BlackRock Solutions

NPI (Index 1990M1=100)

The final losses will be a probability-weighted average of valuations across all scenarios.

4. Other Information –

Please visit http://www.naic.org/structured_securities/index_structured_securities.htm for additional information.