

# Statutory Issue Paper No. 155

## Classification of Money Market Mutual Funds as Cash Equivalents

### STATUS

Finalized December 10, 2016

Original SSAP: SSAP No. 2; Current Authoritative Guidance: SSAP No. 2R

### Type of Issue:

Common Area

### SUMMARY OF ISSUE

1. Current statutory accounting guidance for money market mutual funds (MMMF) and cash equivalents is in *SSAP No. 2—Cash, Drafts and Short-Term Investments* (SSAP No. 2). Pursuant to this guidance, Money market mutual funds registered under the Investment Company Act of 1940 and regulated under rule 2a-7 of the Act are short-term investments whether they are accounted for under *SSAP No. 26—Bonds* (SSAP No. 26) or *SSAP No. 30—Unaffiliated Common Stock* (SSAP No. 30). Further, this guidance prescribes that MMMF on the U.S. Direct Obligations / Full Faith and Credit Exempt List, as identified in Part Six, Section 2 of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* are accounted for under SSAP No. 26, with all other MMMF being accounted for under SSAP No. 30. For reporting purposes, all MMMF shall be reflected on Schedule DA.

2. As directed by the Statutory Accounting Principles (E) Working Group (Working Group) on June 9, 2016, an agenda item was drafted to consider whether MMMF should be accounted for and reported as cash equivalents for statutory accounting.

3. After considering the agenda item, the Working Group directed NAIC staff to prepare this issue paper to detail substantive revisions to SSAP No. 2, which proposes revisions and documenting discussions regarding the proposed change to account for and report MMMF as cash equivalents.

### SUMMARY CONCLUSION

4. This issue paper substantively revises the accounting and reporting guidance within SSAP No. 2 to change the accounting and reporting of MMMF from short-term investments to cash equivalents. This issue paper proposes that these revisions be subsequently reflected in a substantively revised SSAP No. 2R.

### Substantive Revisions to SSAP No. 2:

Staff Note: Tracked revisions shaded in gray represent placement changes of currently existing statutory guidance (including revisions adopted during June 2016). For ease of review, the tracked deletion of this text has been excluded below. Further, as detailed in the table below, staff has provided a cross reference of the paragraphs proposed below in SSAP No. 2R to their previously location in SSAP No. 2.

SSAP No. 2	SSAP No. 2R	SSAP No. 2	SSAP No. 2R	SSAP No. 2	SSAP No. 2R
1	1	6	8	11	13
2	2	7	9	12	14
3	5 & 6	8	10	13	15
4	3	9	11	14	16
5	4	10	7 & 12	15	17

## Cash, Cash Equivalents, Drafts and Short-Term Investments

### SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles and related reporting for cash, cash equivalents, drafts and short-term investments.

### SUMMARY CONCLUSION

#### Cash

2. Cash constitutes a medium of exchange that a bank or other similar financial institution will accept for deposit and allow an immediate credit to the depositor's account.

3. Cash meets the definition of an asset as defined in SSAP No. 4—Assets and Nonadmitted Assets (SSAP No. 4), and is an admitted asset to the extent it conforms to the requirements of this statement.

4. If a reporting entity has multiple cash accounts, the net amount of all accounts shall be reported jointly. Cash accounts with positive balances shall not be reported separately from cash accounts with negative balances. If in the aggregate, the reporting entity has a net negative cash balance, it shall be reported as a negative asset and shall not be recorded as a liability.

3-5. Also classified as cash for financial statement purposes, although not falling within the definition of cash, are savings accounts and certificates of deposit in banks or other similar financial institutions with maturity dates within one year or less from the acquisition date and cash equivalents.

#### ~~Treatment of Negative Cash Balances~~ Cash Equivalents

6. Cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities<sup>1</sup> of three months or less qualify under this definition, with the exception of money market mutual funds, as detailed in paragraph 7. Securities with terms that are reset at predefined dates (e.g., an auction-rate security that has a long-term maturity and an interest rate that is regularly reset through a Dutch auction) or have other features an investor may believe results in a different term than the related contractual maturity shall be accounted for based on the contractual maturity at the date of acquisition, except where other specific rules within the statutory accounting framework currently exist.

7. Money market mutual funds registered under the Investment Company Act of 1940 and regulated under rule 2a-7 of the Act shall be accounted for and reported as cash equivalents for statutory accounting. Investments in money market mutual funds shall be valued at fair value or net asset value (NAV) as a practical expedient. For reporting entities required to maintain an Asset Valuation Reserve (AVR), the accounting for unrealized capital gains and losses shall be in accordance with SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve (SSAP No. 7). For reporting entities not required to maintain an AVR, unrealized capital gains and losses shall be recorded as a direct credit or charge to surplus.

#### Drafts

4-8. A draft is defined as an order to pay a sum certain in money. It is signed by the drawer (e.g., the insurance company or its agent), and payable to order or bearer (e.g., the policyholder).

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<sup>1</sup> Original maturity means original maturity to the entity holding the investment. For example, both a three-month U.S. Treasury bill and a three-year Treasury note purchased three months from maturity qualify as cash equivalents. However, a Treasury note purchased three years ago does not become a cash equivalent when its remaining maturity is three months.

When the draft is presented to the drawee (i.e., the bank), it is paid only upon approval by the reporting entity.

9. \_\_\_\_\_ Drafts and checks have different legal characteristics. A check is payable on demand, whereas a draft must be approved for payment by the reporting entity before it is honored by the bank. Because of these different characteristics, a draft meets the definition of a liability as defined by SSAP No. 5R—*Liabilities, Contingencies and Impairments of Assets*. Outstanding checks are accounted for as a reduction of cash.

5.10. \_\_\_\_\_ A reporting entity that utilizes instruments meeting the definition of drafts shall elect one of the following accounting methods:

- a. Draft Issued Method—When a draft is issued, an increase in paid losses and a related decrease in loss reserves is recorded. Drafts that have not been presented for payment and remain outstanding at the balance sheet date are reflected as a liability.
- b. Draft Honored Method—An increase in paid losses and a related decrease in loss reserves is recorded when the draft is presented by the bank to the reporting entity for approval and reimbursement. Consequently, under a draft honored method there is no liability for outstanding drafts.

6.11. \_\_\_\_\_ The method elected by a reporting entity to account for drafts issued and outstanding shall remain consistent from year to year. Procedures for changes in the accounting method shall be governed by SSAP No. 3—*Accounting Changes and Corrections of Errors* (SSAP No. 3).

### Short-Term Investments

7.12. \_\_\_\_\_ All investments with remaining maturities (or repurchase dates under repurchase agreements) of one year or less at the time of acquisition (excluding those investments classified as cash equivalents as defined in ~~paragraph 3~~this statement) shall be considered short-term investments. Short-term investments include, but are not limited to, bonds, commercial paper, ~~money market instruments~~, repurchase agreements, and collateral and mortgage loans which meet the noted criteria. ~~Money Market Mutual Funds registered under the Investment Company Act of 1940 and regulated under rule 2a-7 of the Act are short term investments whether they are accounted for under SSAP No. 26—Bonds (SSAP No. 26)<sup>2</sup> or SSAP No. 30—Unaffiliated Common Stock (SSAP No. 30).~~ Short-term investments shall not include certificates of deposit.

8.13. \_\_\_\_\_ All short-term investments shall be accounted for in the same manner as similar long-term investments.

9.14. \_\_\_\_\_ Short-term investments meet the definition of assets as defined in SSAP No. 4 and are admitted assets to the extent they conform to the requirements of this statement.

### Disclosures

10.15. \_\_\_\_\_ The following disclosures shall be made for short-term investments in the financial statements:

- a. Fair values in accordance with SSAP No. 100—*Fair Value*;
- b. Concentrations of credit risk in accordance with SSAP No. 27—*Off-Balance-Sheet and Credit Risk Disclosures*;
- c. Basis at which the short-term investments are stated.

<sup>2</sup> As detailed in SSAP No. 26, ~~money market mutual funds on the U.S. Direct Obligations / Full Faith and Credit Exempt List, as identified in Part Six, Section 2 of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* are accounted for under SSAP No. 26. All other Money Market Mutual Funds shall be accounted for under SSAP No. 30.~~

~~44-16.~~ Refer to the Preamble for further discussion regarding disclosure requirements. The disclosures in paragraph ~~43-15.b.~~ shall be included in the annual audited statutory financial reports only.

### Effective Date and Transition

~~42-17.~~ This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. Guidance in paragraph ~~3-6~~ related to terms reset at predefined dates was previously included within *INT 08-10: Contractual Terms of Investments and Investor Intent* and was effective for periods beginning December 5, 2008. This substantively revised statement, as detailed in Issue Paper No. 155, regarding treatment of MMMF as cash equivalents, is effective on a prospective basis beginning December 31, 2017.

### REFERENCES

#### Other

- *Purposes and Procedures Manual of the NAIC Investment Analysis Office*

#### Relevant Issue Papers

- *Issue Paper No. 2—Definition of Cash*
- *Issue Paper No. 12—Accounting for Drafts Issued and Outstanding*
- *Issue Paper No. 28—Short-Term Investments*
- *Issue Paper No. 155—Classification of Money Market Mutual Funds as Cash Equivalents*

### Historical Discussion

5. During 2002-2003, at the request of an industry sponsored Form A, the Working Group previously considered an agenda item (Ref #2002-14) on whether to classify MMMF as cash equivalents.

6. In May 2002, an industry sponsored Form A was submitted to the Working Group, requesting that consideration be given to classifying MMMF as cash equivalents. The request, while noting that MMMF do not have a stated maturity date, stated that underlying characteristics of MMMF are similar to a checking or savings account, which are “on-demand” accounts and reported on Schedule E. Further, the proposal highlighted several benefits to the insurance community, specifically, that classifying MMMF as cash equivalents under SAP would eliminate a common U.S. Generally Accepted Accounting Principle (GAAP)-SAP difference, as U.S. GAAP guidance permits cash equivalents accounting and reporting. After a review of the Form A submission, NAIC staff provided a recommendation, which agreed with the sponsor’s position, to the Working Group, which specifically noted that MMMF meet the definition of a cash equivalent and therefore should be reported consistently as such. Further, NAIC staff research indicated that MMMF are treated as cash equivalents for U.S. GAAP, invest in assets that would be classified as cash equivalents if held directly by the insurer, and are commonly used as sweep accounts.

7. During June 2002, the Working Group referred this issue to the Invested Assets (E) Working Group. During July 2003, the Invested Assets (E) Working Group responded to the referral, indicating their support for the industry sponsored proposal to reclassify the accounting and reporting of MMMF from short-term investments to cash equivalents. The Invested Assets (E) Working Group also recommended that the Working Group adopt the industry sponsored Form A, with technical edits proposed by the Invested Assets (E) Working Group. The referral response stated that the industry proposal would standardize the treatment of MMMF and address existing differences between U.S. GAAP and SAP treatment, which was consistent with regulatory objectives.

8. At the 2003 Fall National Meeting, NAIC staff presented a memorandum to the Working Group, which questioned the extent of benefits to be gained by changing the classification and other claims made in the sponsor's Form A, including whether U.S. GAAP explicitly expresses that MMMF are cash equivalents and inconsistencies that would still exist between U.S. GAAP and SAP even if MMMF were classified as cash equivalents for statutory accounting. The memorandum highlighted that making this classification change would make GAAP and SAP more consistent in some instances for Exempt and Class One MMMF, but insurers would still be reporting the remaining MMMF in Schedule D, Part 2, section 2, along with common stocks. (*Staff Note: This inconsistency is no longer relevant due to the Working Group's June 2016 actions to have all MMMF classified as short-term investments on Schedule DA-see below*). At this meeting, the Working Group exposed the industry sponsor's Form A, with the edits recommended by the Invested Assets (E) Working Group, and the NAIC staff memorandum discussed above.

9. At the 2003 Winter National Meeting, the Working Group held a public hearing of comments on the exposed Form A and NAIC staff memorandum. After consideration of the comments received and the concerns identified in the NAIC staff memorandum, the Working Group proceeded with rejecting/disposing of the agenda item (Ref #2002-14) without revisions to statutory accounting.

10. On June 9, 2016, the Working Group adopted revisions to SSAP No. 2, SSAP No. 26, SSAP No. 30, and SSAP No. 32—*Preferred Stock* (Ref #2016-05) to remove the reference to "Class 1 Money Market Mutual Funds," as a result of changes in U.S. Securities and Exchange Commission (SEC) money market mutual fund regulations, and corresponding revisions to the *Purpose and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual). The adopted revisions clarify that MMMF are considered short-term investments and should be reported on Schedule DA. The Working Group sent a referral to the Blanks (E) Working Group requesting that the existing reporting line previously used for "Class 1 Money Market Mutual Funds" on Schedule DA be retained, but renamed to "Other Money Market Mutual Funds." The Blanks (E) Working Group adopted this change on its June 17, 2016 conference call. As a result of this change, all money market mutual funds were to be reported as short-term investments on Schedule DA as either "Exempt Money Market Mutual Funds" or "Other Money Market Mutual Funds."

11. On the June 9 conference call, in response to comments received, the Working Group directed NAIC staff to develop a new agenda item (Ref #2016-19), with the assistance of interested parties, for subsequent consideration during the 2016 Summer National Meeting on whether MMMF should be accounted and reported as cash equivalents for statutory accounting.

12. At the 2016 Summer National Meeting, the Working Group exposed revisions to SSAP No. 2 to reclassify money market mutual funds from short-term investments to cash equivalents, with prospective application as of January 1, 2018. In addition to the agenda item, staff developed a proposed substantively revised SSAP No. 2R and related issue paper for concurrent exposure. Further, the Working Group sent notice to the Blanks (E) Working Group and Capital Adequacy (E) Task Force regarding the discussion about potential reclassification of MMMF as cash equivalents.

13. As detailed in paragraphs 14-25, this issue paper provides documentation of key topics discussed by the Working Group in their consideration and ultimate adoption of substantive revisions to SSAP No. 2 to reclassify MMMF from short-term investments to cash equivalents.

### **Classification and Regulation of MMMF by U.S. GAAP and the SEC**

14. In 2014, the SEC adopted amendments to Rule 2a-7 under the Investment Company Act of 1940, as amended, which governs the operation of U.S. money market funds. As stated in their release of these amendments<sup>3</sup>, "the Commission's position continues to be that, under normal circumstances, an investment in a money market fund that has the ability to impose a fee or gate under rule 2a-7(c)(2)

<sup>3</sup> <https://www.sec.gov/rules/final/2014/33-9616.pdf>

qualifies as a “cash equivalent” for purposes of U.S. GAAP.” Per the SEC<sup>4</sup>, a money market fund is a type of mutual fund that is required by law to invest in low-risk securities and have relatively low risks compared to other mutual funds.

15. As stated in their comments letters, BlackRock (dated May 11, 2016) and interested parties (dated May 20, 2016) support revising the guidance in SSAP No. 2 to reclassify MMMF from short-term investments to cash equivalents. These comment letters emphasize that the AICPA and each of the Big Four accounting firms agree with the SEC ruling that U.S. GAAP would not preclude a money market fund, including those with a floating net asset value (NAV) or the ability to impose fees and gates, from being classified as a cash equivalent. Current U.S. GAAP, as reflected in ASC 305-10-20, defines cash equivalents as “short-term, highly liquid investments that are readily convertible to known amounts of cash and that are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.” Further, ASC 305-10-20 specifically identifies an investment in a money market fund as an example of a cash equivalent.

16. Although they do not have a stated maturity date, MMMF are considered cash equivalents under U.S. GAAP, primarily invest in assets that would be classified as cash equivalents if held directly by the insurer and are commonly used in sweep accounts. Exhibit A of this issue paper includes an analysis of the Top 10 (largest) taxable institutional money market funds (based on asset size), which includes a breakout of how each MMMF is allocated across asset classes and the weighted average maturity (days).

17. Per Rule 2a-7, MMMF portfolios are not allowed to include any security that has a remaining maturity of over 397 calendar days and must maintain a dollar-weighted average portfolio maturity that does not exceed 60 days. As shown in Exhibit A, the weighted average portfolio maturity for the Top 10 MMMF is 30 days.

18. Per Rule 2a-7, MMMF portfolios shall limit investments to US denominated securities that present minimal credit risks and must be 97% “first tier securities.” First Tier Securities are defined as securities with the highest short-term debt obligation rating from an NRSRO, unrated securities deemed comparable to those required with a rating from an NRSRO, another MMMF or a government security). For the 3% that can be second-tier securities, all securities must mature within 45 calendar days.

19. Per Rule 2a-7, acquisition of any illiquid security that would result with more than 5% of the fund in illiquid securities is not allowed. The rule defines “illiquid security” as one that cannot be sold or disposed of in the ordinary course of business within 7 days at approximately the value ascribed to it in the fund. There are also requirements on the percentage of “daily liquid” assets and “weekly liquid” assets to be in the MMMF. If the 30% weekly liquid percentage is not met, then the fund could impose fees (no more than 2%) to redeem, or temporarily suspend (gate) redemptions for up to 10 days. The rule prevents MMMF from imposing a “gate” for more than 10 days in any 90-day period. Upon review of Rule 2a-7, it was staff’s recommendation that the 10-day “gate” or any fees related to redeeming when the MMMF has not met its percentage of “weekly liquid assets” should not restrict classification as cash equivalents.

### **Risk-Based Capital Considerations**

20. Per the revisions adopted by the Working Group and the Blanks (E) Working Group during June 2016, which clarified that MMMF are short-term investments and reported on Schedule DA, MMMF were classified as either “Exempt MMMF” or “Other MMMF” and received the Schedule DA RBC factors as illustrated in Exhibit B of this issue paper. As shown in Exhibit B, when classified as short-term investments, all Non-Exempt MMMF (“All Other” - Formerly Class 1 MMMF) received an RBC charge of 0.3% for P&C reporting entities and 0.4% for Life reporting entities. MMMF on the U.S. Direct Obligations / Full Faith and Credit Exempt List, as identified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* did not receive an RBC charge (RBC factor of 0%).

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<sup>4</sup> <http://www.sec.gov/answers/mfmmkt.htm>

21. Upon re-classification of MMMF as cash equivalents, as detailed in Exhibit B, all MMMF previously classified as “Other MMMF” would incur no change in their RBC charge, as Schedule E applies the same RBC factor that is used on Schedule DA for “Other MMMF.” However, the change to cash equivalents would cause an RBC charge increase (0% to .3% for P/C and 0% to .4% for Life) for MMMF classified on the U.S. Direct Obligations / Full Faith and Credit Exempt List, as they have previously received no RBC charge when reported on Schedule DA.

### Annual Statement Reporting Considerations

22. Per the revisions adopted by the Working Group and the Blanks (E) Working Group during June 2016, all MMMF were classified as short-term investments and reported as follows:

- a. Assets Page: Line 5—Cash, Cash Equivalents and Short-Term Investments
- b. Schedule DA: Exempt Money Market Mutual Funds and Other Money Market Mutual Funds

23. Upon re-classification of MMMF as cash equivalents, they would be reported as follows:

- a. Assets Page: Line 5—Cash, Cash Equivalents and Short-Term Investments
- b. Schedule E, Part 2: Exempt Money Market Mutual Funds and Other Money Market Mutual Funds (Revisions would be needed to add these lines to schedule)

24. As detailed in paragraphs 22-23, short-term investments and cash equivalents are reported on the same financial statement line of the Assets page and only differ in the sub-schedule in which detailed information is reported.

### Measurement of Money Market Mutual Funds

25. In addition to the substantive revisions originally detailed in this issue paper, the Statutory Accounting Principles (E) Working Group also considered revisions detailed in agenda item 2016-35 to clarify that money market mutual funds shall be valued at fair value or net asset value. On December 31, 2016, the Working Group adopted both the revisions detailed in this issue paper, as well as the proposed revisions detailed in Ref #2016-35. Although captured within that agenda item, these revisions are also noted in this issue paper as they will be captured in the first publication of this issue paper and in the substantively-revised SSAP No. 2R. These revisions are also shown in the adopted guidance shown in the “Summary Conclusion” of this issue paper. Tracked changes below shown the additional guidance adopted under agenda item 2016-35:

7. Money market mutual funds registered under the Investment Company Act of 1940 and regulated under rule 2a-7 of the Act shall be accounted for and reported as cash equivalents for statutory accounting. Investments in money market mutual funds shall be valued at fair value or net asset value (NAV) as a practical expedient. For reporting entities required to maintain an Asset Valuation Reserve (AVR), the accounting for unrealized capital gains and losses shall be in accordance with SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve (SSAP No. 7). For reporting entities not required to maintain an AVR, unrealized capital gains and losses shall be recorded as a direct credit or charge to surplus.

### Effective Date

26. This issue paper, as well as a substantively revised SSAP No. 2, was concurrently exposed for public comment. Upon adoption, the substantively-revised SSAP will contain the adopted Summary Conclusion of this issue paper. Users of the *Accounting Practices and Procedures Manual* should note that issue papers are not represented in the Statutory Hierarchy (see Section V of the Preamble) and

therefore the conclusions reached in this issue paper should not be applied until the corresponding SSAP has been adopted by the NAIC Executive (EX) and Plenary of the NAIC. It is expected that the SSAP will contain an effective date of reporting periods beginning December 31, 2017. The revisions outlined in this issue paper shall be applied on a prospective basis.

## **RELEVANT STATUTORY ACCOUNTING AND GAAP GUIDANCE**

### **Statutory Accounting**

- *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments*

### **Generally Accepted Accounting Principles**

- *ASC 305-10-20, Cash Equivalents-Overall-Glossary*



**Exhibit A**

**Analysis of Selected Money Market Mutual Funds**

Fund Name <sup>1</sup>	Date of Information <sup>2</sup>	Total Net Assets (\$mils)	Asset Allocation							Weighted Average Maturity
			Commercial Paper	Certificates of Deposit	Time Deposits	Repurchase Agreements	US Govt & Agencies	Other <sup>3</sup>		
BlackRock Liquidity: TempFund Inst	5/31/2016	\$66,200.9	22.3%	35.7%	34.1%	6.3%	1.4%	0.2%	27	
JPMorgan Prime Money Mkt Fund/Capital	6/30/2016	\$55,873.4	19.3%	44.1%	22.0%	11.1%	1.8%	1.7%	23	
Goldman Sachs FS Govt Fund/Inst	5/31/2016	\$52,343.7	0.0%	0.0%	0.0%	57.8%	42.1%	0.1%	33	
Fidelity Inv Prime MMF/Inst	5/31/2016	\$51,345.4	7.7%	39.7%	30.4%	18.1%	4.1%	0.0%	23	
Goldman Sachs FS Treasury/Inst	5/31/2016	\$48,927.8	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	38	
State Street Inst Liquid Reserve/Premier	6/30/2016	\$41,294.7	33.7%	41.5%	0.0%	15.1%	4.8%	4.9%	28	
JPMorgan US Govt MMF/Capital	6/30/2016	\$37,082.8	0.0%	0.0%	0.0%	43.8%	56.2%	0.0%	33	
Blackrock Liquidity: T-Fund Inst	5/31/2016	\$36,198.7	0.0%	0.0%	0.0%	48.5%	51.5%	0.0%	40	
Morgan Stanley ILF/Govt/Inst	6/30/2016	\$35,276.7	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	32	
Goldman Sachs FS MMF/Inst	5/31/2016	\$26,989.0	21.5%	30.7%	21.5%	20.3%	0.6%	5.4%	25	
<b>Average</b>			<b>10.4%</b>	<b>19.2%</b>	<b>10.8%</b>	<b>22.1%</b>	<b>36.3%</b>	<b>1.2%</b>	<b>30</b>	

<sup>1</sup> Top 10 (largest) taxable institutional money market funds based on asset size per iMoneyNet's Money Fund website dated July 5, 2016.

<sup>2</sup> Data obtained from publically available Fund Fact Sheet or information on file with the SEC.

<sup>3</sup> Includes other eligible Rule 2a-7 investments.

**Exhibit B****Risk-Based Capital Considerations**

Per the revisions adopted by the Statutory Accounting Principles (E) Working Group and Blanks (E) Working Group in June 2016, MMMF currently receive the following RBC charges:

<b>Property and Casualty Companies</b>			
<b>Asset Type</b>	<b>RBC Section</b>	<b>Factor</b>	<b>Notes</b>
US Gov't Exempt MMF (DA-1)	Bonds, US Gov't	0.0000	Included with US Gov Bonds (D-1, No Charge)
All Other MMF (DA-1) (Formerly Class 1)	Bonds, Unaffiliated NAIC 1	0.0030	Included with NAIC 1 Bonds (D-1, .003 Charge)
Other Short-term (DA-1, not included in bonds)	Miscellaneous Assets, Short Term	0.0030	MMMF exempt from calculation (Avoid Double Charge on MMMF)

<b>Life Companies</b>			
<b>Asset Type</b>	<b>RBC Section</b>	<b>Factor</b>	<b>Notes</b>
US Gov't Exempt MMF (DA-1)	Bonds, Short Term, US Gov't	0.0000	Included with US Gov't Bonds (D-1, No Charge)
All Other MMF (DA-1)	Bonds, Short Term Unaffiliated, NAIC 1	0.0040	Included with NAIC 1 Bonds (D-1, .003 Charge)
Other Short-term (DA-1, not included in bonds)	Miscellaneous Assets, Short Term	0.0040	MMMF exempt from calculation (Avoid Double Charge on MMMF)

If treated as cash equivalents, all MMMF would receive the following RBC charges:

<b>Asset Type</b>	<b>Property and Casualty Companies</b>		<b>Life Companies</b>	
	<b>RBC Section</b>	<b>Factor</b>	<b>RBC Section</b>	<b>Factor</b>
Cash Equivalent (E-2, not included in bonds)	Miscellaneous Assets, Cash Equivalents	0.0030	Miscellaneous Assets, Cash Equivalents	0.0040