

## Separate account assets

Fair values and changes in the fair values of separate account assets generally accrue directly to the policyholders and are excluded from the Company's revenues and expenses. At December 31, separate account assets were as follows:

2012 (In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Guaranteed separate accounts (See Note 24)	\$ 245	\$ 324	\$ -	\$ 569
Non-guaranteed separate accounts <sup>(1)</sup>	1,925	4,258	1,005	7,188
<b>TOTAL SEPARATE ACCOUNT ASSETS</b>	<b>\$ 2,170</b>	<b>\$ 4,582</b>	<b>\$ 1,005</b>	<b>\$ 7,757</b>

(1) As of December 31, 2012, non-guaranteed separate accounts included \$3.4 billion in assets supporting the Company's pension plans, including \$956 million classified in Level 3.

2011 (In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Guaranteed separate accounts (See Note 24)	\$ 249	\$ 1,439	\$ -	\$ 1,688
Non-guaranteed separate accounts <sup>(1)</sup>	1,804	3,851	750	6,405
<b>TOTAL SEPARATE ACCOUNT ASSETS</b>	<b>\$ 2,053</b>	<b>\$ 5,290</b>	<b>\$ 750</b>	<b>\$ 8,093</b>

(1) As of December 31, 2011, non-guaranteed separate accounts included \$3.0 billion in assets supporting the Company's pension plans, including \$702 million classified in Level 3.

Separate account assets in Level 1 include exchange-listed equity securities. Level 2 assets primarily include:

- corporate and structured bonds valued using recent trades of similar securities or pricing models that discount future cash flows at estimated market interest rates as described above; and

- actively-traded institutional and retail mutual fund investments and separate accounts priced using the daily net asset value that is the exit price.

Separate account assets classified in Level 3 include investments primarily in securities partnerships, real estate and hedge funds generally valued based on the separate account's ownership share of the equity of the investee including changes in the fair values of its underlying investments.

The following tables summarize the change in separate account assets reported in Level 3 for the years ended December 31, 2012 and 2011.

(In millions)	
Balance at January 1, 2012	\$ 750
Policyholder gains <sup>(1)</sup>	55
Purchases, issuances, settlements:	
Purchases	283
Sales	(6)
Settlements	(90)
Total purchases, sales and settlements	187
Transfers into/(out of) Level 3:	
Transfers into Level 3	17
Transfers out of Level 3	(4)
Total transfers into/(out of) Level 3:	13
Balance at December 31, 2012	\$ 1,005

(1) Included in this amount are gains of \$49 million attributable to instruments still held at the reporting date.