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# Morningstar Fee Level—Insurance Funds

## Methodology

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**Morningstar Research**

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### Introduction

The Morningstar Fee Level for Insurance funds was developed to help investors compare an investment vehicle's relative level of fees with those of similar investment vehicles. This methodology applies to all US-domiciled insurance funds.

### Category Groupings

1. Insurance Fund Aggressive Allocation  
*Allocation – 70%-85% Equity + Allocation – Over 85% Equity*
2. Insurance Fund Alternative  
*Long-Short Equity + Managed Futures + Market Neutral + Multialternative + Multicurrency + Single Currency + Volatility + Nontraditional Bond*
3. Insurance Fund Bear Market
4. Insurance Fund Commodities  
*Commodities Agriculture + Commodities Broad Basket + Commodities Energy + Commodities Industrial Metals + Commodities Miscellaneous + Commodities Precious Metals*
5. Insurance Fund Conservative Allocation  
*Allocation—15%-30 Equity*
6. Insurance Fund Corporate Bond
7. Insurance Fund Emerging Markets Bond  
*Emerging-Markets Bond + Emerging-Markets Local-Currency Bond*
8. Insurance Fund Emerging Markets Stock  
*China Region + Diversified Emerging Mkts + India Equity + Latin America Stock + Pacific /Asia ex-Japan Stk*
9. Insurance Fund Foreign Developed Large Cap  
*Diversified Pacific/Asia + Europe Stock + Foreign Large Blend + Foreign Large Growth + Foreign Large Value + Japan Stock + Miscellaneous Region*

10. Insurance Fund Foreign Small/Mid Cap  
*Foreign Small/Mid-Value + Foreign Small/Mid-Blend + Foreign Small/Mid-Growth*
11. Insurance Fund Government  
*Long Government + Intermediate Government + Short Government*
12. Insurance Fund High-Yield  
*High Yield Bond + High Yield Muni + Bank Loan*
13. Insurance Fund Inflation Protected
14. Insurance Fund Intermediate-Term Bond
15. Insurance Fund Large Cap  
*Large Value + Large Blend + Large Growth*
16. Insurance Fund Long-Term Bond + Preferred Stock  
*Long-Term Bond + Preferred Stock*
17. Insurance Fund Mid Cap  
*Mid-Value + Mid-Blend + Mid-Growth*
18. Insurance Fund Moderate Allocation + Convertibles  
*Moderate Allocation + Convertibles*
19. Insurance Fund Multisector Bond
20. Insurance Fund Municipal Intermediate  
*Municipal California Intermediate + Municipal National Intermediate + Municipal New York Intermediate + Municipal Single State Intermediate*
21. Insurance Fund Municipal Long  
*Municipal California Long + Municipal National Long + Municipal New York Long + Municipal Single State Long*
22. Insurance Fund Municipal Other  
*Municipal Massachusetts + Municipal Minnesota + Municipal New Jersey + Municipal Ohio + Municipal Pennsylvania*
23. Insurance Fund Municipal Short  
*Municipal National Short + Municipal Single State Short*

## 24. Insurance Fund Short-Term Bond

## 25. Insurance Fund Small Cap

*Small Value + Small Blend + Small Growth*

## 26. Insurance Fund Specialty

*Communications + Consumer Cyclical + Consumer Defensive + Equity Energy + Energy Limited Partnership + Equity Precious Metals + Financials + Global Real Estate + Health + Industrials + Infrastructure + Miscellaneous Sector + Natural Resources + Real Estate + Technology + Utilities*

## 27. Insurance Fund Tactical Allocation

## 28. Insurance Fund Target Retirement

*Retirement Income + Target Retirement 2000–2010 + Target Retirement 2011–2015 + Target Retirement 2016–2020 + Target Retirement 2020–2025 + Target Retirement 2026–2030 + Target Retirement 2031–2035 + Target Retirement 2036–2040 + Target Retirement 2041–2045 + Target Retirement 2046–2050 + Target Retirement 2051+*

## 29. Insurance Fund Trading

*Trading-Inverse Commodities + Trading-Inverse Debt + Trading-Inverse Equity + Trading-Leveraged Commodities + Trading-Leveraged Debt + Trading-Leveraged Equity + Trading-Miscellaneous*

## 30. Insurance Fund Ultrashort Bond

## 31. Insurance Fund World Allocation

## 32. Insurance Fund World Bond

## 33. Insurance Fund World Stock

### Ranking

Within each comparison group, a fund share class' most recent annual report net expense ratio will be ranked against its peers. If a fund share class is part of a fund of funds, the most recent prospectus net expense ratio will be used instead of the annual report net expense ratio. Both the prospectus net expense ratio and annual report net expense ratio should be annualized. If they are not annualized, they should be discarded in favor of an older ratio that is annualized. Each share class is assigned a quintile score (1 to 5) and a corresponding Fee Grade/Label (High, +Avg [Above Average], Avg [Average], -Avg [Below Average], Low).

Morningstar uses the following formula to determine the percentile rank of an expense ratio in a series. Percentile ranks range from 1 (best) to 100 (worse) with all intermediate values spread evenly over that range.

All observations are ranked in the desired order (ascending). Percentile ranks are assigned as follows:

$$\text{PctRank} = i \text{ for } i = 1$$

$$\text{FLOOR}[99*(i-1)/(n-1)+1] \quad \text{for } i > 1$$

Where:

n = Total number of observations  
 i = Absolute rank of each observation  
 Floor = A function that rounds down to the next integer (e.g., 89.83 rounds down to 89)

Morningstar does not require a minimum number of items in order to percentile rank a set of data. For example, if there are only three fund share classes in a distribution class for a comparison group, we will percentile rank those three (1, 50, and 100).

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**Exhibit 1** Percentile Ranks Are Then Mapped Into Quintiles

Range	Quintile	Word Label
0 < Percentile Rank <= 20	1	Low
20 < Percentile Rank <= 40	2	Below Average or +Avg
40 < Percentile Rank <= 60	3	Average or Avg
60 < Percentile Rank <= 80	4	Above Average or -Avg
80 < Percentile Rank <= 100	5	High

Source: Morningstar, Inc.