

Each week The [NAIC's Capital Markets Bureau](#) monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of US insurance companies. A list of archived Capital Markets Bureau Special Reports is available via the [index](#).

Analysis of Schedule BA: The Insurance Industry's "Other Long-term Invested Assets"

The Capital Market Bureau's Special Report dated as of Aug. 26, 2011, studied insurers' investment allocations across all asset classes. As noted in that report, bonds dominate insurers' \$5 trillion investment portfolios with a 70% allocation, common stocks followed with 10.3% and direct mortgages were third at 6.4%. In fourth place, with a 4.5% allocation, was Schedule BA (or "other long-term invested assets").

As the term "other" implies, Schedule BA embraces a heterogeneous group of investments. It includes private equity and hedge funds, mineral rights, aircraft leases, surplus notes, secured and unsecured loans to corporations and individuals, and housing tax credits.

At Dec. 31, 2010, insurers' Schedule BA investments had an Actual Cost totaling \$247.3 billion. Fair Value was \$233.7 billion, or 94.5% of Actual Cost. Book/Adjusted Carrying Value (BACV) Less Encumbrances was \$232.6 billion, or 94% of cost.

The total of the industry's Current Year's Other Than Temporary Impairment (OTTI) recognized for Schedule BA in 2010 was \$3.2 billion or 1.36% of year-end BACV. The Unrealized Valuation Increase (Decrease) in 2010 was +\$10.4 billion and the Current Year's (Depreciation) or (Amortization)/Accretion was -\$0.6 billion (a net depreciation or amortization). Investment Income in 2010 was +\$10.0 billion.

The following table shows how Schedule BA investments have grown over time in terms of year-end cost, BACV and fair value (not reported in 2004). Adjacent columns show the year-to-year change and BACV or Fair Value as a percentage of Cost.

Year (\$000)	Cost	Chg	BACV	Chg	BACV / Cost	Fair Value	Chg	FV / BACV
2004	\$115,237,757		\$110,745,513		96%	n/a		
2005	\$130,801,699	14%	\$127,881,750	15%	98%	\$130,901,350	n/a	100%
2006	\$137,842,593	5%	\$141,550,422	11%	103%	\$136,527,366	4%	99%
2007	\$179,570,256	30%	\$189,139,501	34%	105%	\$190,291,460	39%	106%
2008	\$188,103,171	5%	\$173,713,043	-8%	92%	\$174,152,712	-8%	93%
2009	\$189,855,423	1%	\$177,230,509	2%	93%	\$176,792,702	2%	93%
2010	\$247,331,899	30%	\$232,555,125	31%	94%	\$233,714,374	32%	94%

Embedded in the above are gains and losses, as well as acquisitions and sales. The following table shows reported figures for:

Other Than Temporary Impairment (OTTI)iii
Unrealized Valuation Increase (Decrease)
Increase (Decrease) by Adjustment
Foreign Exchange Adjustment
Invested Income

BACV is shown in the first column for comparison. OTTI (i.e., realized valuation increases and decreases) and Unrealized Valuation Increase (Decrease) were not reported prior to 2008 and reporting of Increase (Decrease) by Adjustment ceased.

Year (\$000)	BACV	OTTI	Unrealized Value Incr/Decr	Incr/Decr by Adjustment	Depreciation / Amort'	FX Adjustment	Investment Income	Income / BACV
2004	\$110,745,513			\$700,074		\$11,995,871		
2005	\$127,881,750			\$4,738,308		(\$222,880)	\$9,369,705	8.5%
2006	\$141,550,422			\$8,480,550		\$136,332	\$10,735,351	8.4%
2007	\$189,139,501			\$8,840,539		\$195,359	\$12,540,023	8.9%
2008	\$173,713,043	(\$3,020,556)	(\$21,923,876)		(\$418,936)	(\$70,805)	\$10,251,559	5.4%
2009	\$177,230,509	(\$7,961,536)	\$2,375,251		(\$387,566)	\$419,069	\$7,272,244	4.2%
2010	\$232,555,125	(\$3,161,663)	\$10,382,020		(\$636,928)	(\$139,663)	\$10,001,862	5.6%
Total		(\$14,143,755)	(\$9,166,605)	\$22,759,472	(\$1,443,430)	\$12,313,285	\$60,170,743	6.8%

The final column is calculated by dividing investment income by prior year-end BACV. Returns have been lower since 2008, averaging 6.8% over the past six years.

The total Commitment for Additional Investment at year-end 2010 was \$37.5 billion. This commitment 'overhang' is an investor's contractual obligation to contribute additional capital to the fund when called for "drawn down" by the general partner. This amount would increase Schedule BA's BACV by 16.1% if fully drawn at the end of 2010 however drawdowns usually occur over a few years, depending on investment opportunities. Such commitments are usually associated with private equity funds, a small subset of Schedule BA.

Industry Overview

Of the nearly 4,500 insurance companies reporting investment data to the NAIC about a fourth of them, or 1,163 companies, reported Schedule BA investments in 2010. Out of 368 groups reporting Schedule BA assets, the top 10 insurance groups or holding companies account for 62.7% of all Schedule BA holdings; the top 25 account for 80%. As one would expect, the list is dominated by the largest insurance groups. Berkshire Hathaway, at \$54.5 billion, accounts for nearly a quarter (23.4%) of the entire industry's \$232.6 billion in Schedule BA assets. The three next largest groups account for 7.7%, 7.4% and 5.8% of all Schedule BA assets, with the rest holding less than 5% each.

In terms of domiciliary jurisdictions, the top 10 states account for over 80% of Schedule BA holdings.

10	Domicile	BACV (000's)	%	Cum %
1	NE	\$55,351,735	24%	24%
2	NY	\$45,721,766	20%	43%
3	WI	\$15,630,320	7%	50%
4	MA	\$13,718,912	6%	56%
5	IL	\$11,995,874	5%	61%
6	CT	\$11,834,179	5%	66%
7	IA	\$11,690,957	5%	71%
8	DE	\$10,167,007	4%	76%
9	TX	\$9,744,785	4%	80%
10	PA	\$7,854,885	3%	83%

The next table shows Schedule BA allocations by type of insurance company ("industry") and whether the investment is reported as "affiliated."

(000's)	Affiliated	%	Unaffiliated	%	Total	%
Life	\$45,350,512	36%	\$69,612,157	65%	\$114,962,669	49%
P/C	\$75,615,317	60%	\$34,086,660	32%	\$109,701,977	47%
Health	\$3,141,348	2%	\$2,103,360	2%	\$5,244,707	2%
Fraternal	\$1,248,737	1%	\$951,677	1%	\$2,200,414	1%
Title	\$423,087	0%	\$22,142	0%	\$445,228	0%
Total	\$125,779,001	100%	\$106,775,995	100%	\$232,554,996	100%
	\$0		\$0		\$0	
BRK	\$54,324,312	43%	\$142,813	0%	\$54,467,125	23%

While life and property/casualty companies hold similar totals (\$115 billion vs. \$110 billion), the life sector's holdings are predominately unaffiliated (65%) whereas the P/C sector's holdings are mostly affiliated (60%).

Categories and Components of Schedule BA

As already noted, Schedule BA embraces a wide range of asset types, both affiliated and unaffiliated. The 2010 annual statement instructions (Page 351) list 42 subtotals or classifications. They are listed below, in the order of Schedule BA line numbers (not shown). Categories or Subcategories of Schedule BA Investments:

1. *Oil and Gas Production*
2. *Transportation Equipment*
3. *Mineral Rights*
4. *Fixed or Variable Interest Rate Investments That Have the Underlying Characteristics of:*
 1. *Bonds*
 2. *Mortgage Loans*
 3. *Other Fixed Income Instruments*
5. *Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics of:*
 1. *Fixed Income Instruments*
 2. *Common Stocks*
 3. *Real Estate*
 4. *Other*
 6. *Surplus Debentures, etc.*
 7. *Collateral Loans*
 8. *Non-collateral Loans*
 9. *Capital Notes*
 10. *Guaranteed Federal Low Income Housing Tax Credit*
 11. *Non-Guaranteed Federal Low Income Housing Tax Credit*
 12. *State Low Income Housing Tax Credit*
 13. *All Other Low Income Housing Tax Credit*
 14. *Any Other Class of Assets*

Each of the above 21 categories and subcategories also has a separate subtotal for "Affiliated" and "Unaffiliated," making for 42 subtotals in Schedule BA. For this report, we have simplified the above taxonomy by putting similar types of assets together; for example, combining "Surplus Debentures" and "Capital Notes" into "Capital & Surplus Notes". The adjusted and original categories (as annotated above) are shown below.

Adjusted Categories

Original Categories

- | | |
|--------------------------|----------|
| 1. JV, Partnership, LLC | v, a – d |
| 2. Any Other Asset Class | xiv |

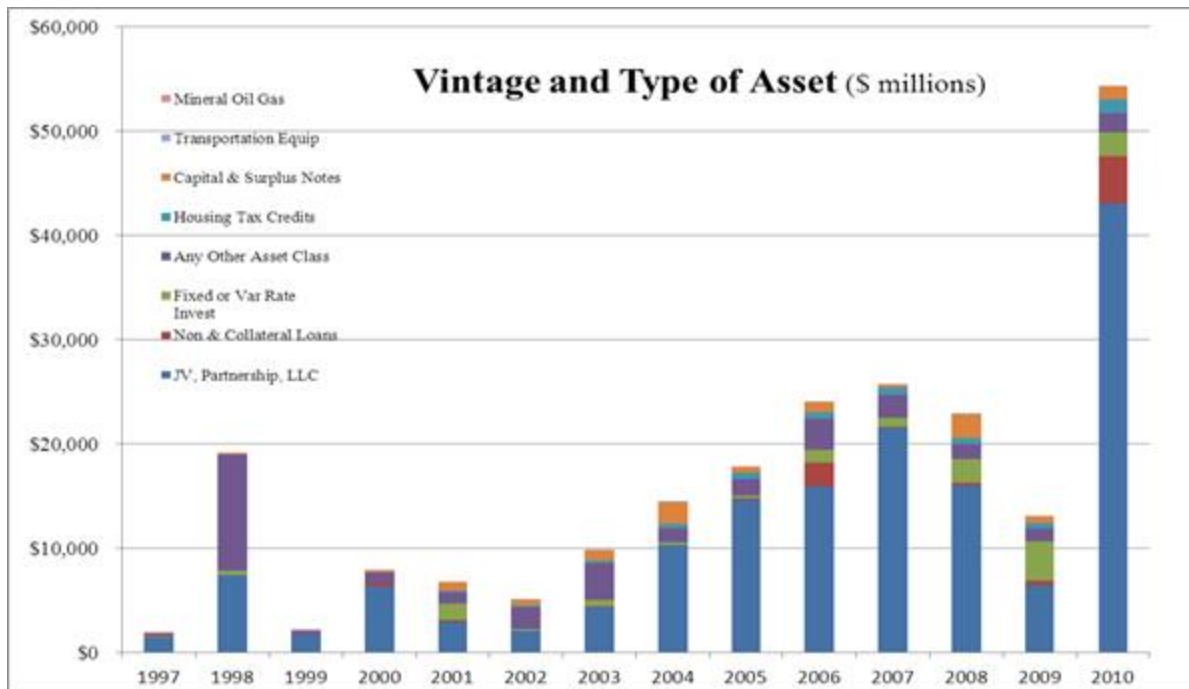
- | | |
|-----------------------------|------------------|
| 3. Fixed or Var Rate Invest | iv, a - c |
| 4. Capital & Surplus Notes | vi & ix |
| 5. Non & Collateral Loans | vii & viii |
| 6. Housing Tax Credits | x, xi, xii, xiii |
| 7. Transportation Equip | ii |
| 8. Mineral Oil Gas | i & iii |

Thus re-aggregated and abbreviated, 2010's Sch. BA concentrations by category, insurer type, and whether or not affiliated, are shown in the following two tables. (Note: tables are generally sorted largest to smallest, both by row and column.)

Sch. BA Categories (\$000's)	Affiliated	%	Unaffiliated	%	Total	%
I JV, Partnership, LLC	\$84,129,858	67%	\$75,522,384	71%	\$159,652,242	69%
II Any Other Asset Class	\$20,242,228	16%	\$13,403,779	13%	\$33,646,007	14%
III Fixed or Var Rate Invest	\$8,447,659	7%	\$5,458,370	5%	\$13,906,029	6%
IV Capital & Surplus Notes	\$5,130,393	4%	\$5,605,736	5%	\$10,736,130	5%
V Non & Collateral Loans	\$7,035,535	6%	\$1,542,645	1%	\$8,578,180	4%
VI Housing Tax Credits	\$763,931	1%	\$4,852,526	5%	\$5,616,457	2%
VII Transportation Equip	\$446	0%	\$265,748	0%	\$266,194	0%
VIII Mineral Oil Gas	\$28,950	0%	\$124,807	0%	\$153,757	0%
Total	\$125,779,001	100%	\$106,775,995	100%	\$232,554,996	100%
	54.1%		45.9%		100.0%	

Categories \ Industry	Life	%	P/C	%	Health	%	Fraternal	%	Title	%	Total	%
JV, Partnership, LLC	\$88,607,572	77%	\$65,017,420	59%	\$3,700,096	71%	\$1,989,947	90%	\$37,208	76%	\$159,652,242	69%
Any Other Asset Class	\$2,812,677	2%	\$29,817,845	27%	\$988,341	19%	\$26,981	1%	\$164	0%	\$33,646,007	14%
Fixed or Var Rate Invest	\$11,890,637	10%	\$1,955,462	2%	\$21,087	0%	\$37,126	2%	\$1,718	0%	\$13,906,029	6%
Capital & Surplus Notes	\$5,634,499	5%	\$4,674,752	4%	\$250,247	5%	\$144,132	7%	\$32,500	7%	\$10,736,130	5%
Non & Collateral Loans	\$1,389,957	1%	\$6,888,458	6%	\$225,862	4%	\$2,228	0%	\$71,674	16%	\$8,578,180	4%
Housing Tax Credits	\$4,240,169	4%	\$1,315,349	1%	\$58,975	1%	\$0	0%	\$1,964	0%	\$5,616,457	2%
Transportation Equip	\$262,764	0%	\$3,430	0%	\$0	0%	\$0	0%	\$0	0%	\$266,194	0%
Mineral Oil Gas	\$124,395	0%	\$29,262	0%	\$100	0%	\$0	0%	\$0	0%	\$153,757	0%
Total	\$114,962,669	100%	\$109,701,977	100%	\$5,244,707	100%	\$2,200,414	100%	\$445,228	100%	\$232,554,996	100%
(S000's)	49.4%		47.2%		2.3%		0.9%		0.2%		100%	

The next graph shows the "vintage" of the industry's 2010 Schedule BA holdings by category (excluding \$8.2 billion of undated and pre-1997 investments).



Nearly a quarter of Schedule BA assets were acquired in 2010, but this includes Berkshire Hathaway's \$35.5 billion acquisition of the balance of Burlington Northern in February 2010 (in the JV Partnership LLC category).

Private Equity and Hedge Funds

In the appropriate categories within Schedule BA, insurers are required to identify any private equity or hedge fund investments and categorize them by identifying those having the "underlying characteristics of" equities, bonds, mortgages, real estate or "other," and designate each fund's investment strategy. These "character" and "strategy" identifications cover \$61.6 billion (or 26.5%) of all Schedule BA investments and are shown in the following table.vii

Strategy (\$000s)	#	Equity-like	%	Other	%	Bond-like	%	Real Estate	%	Total	%
LBO	3	\$23,264,019	52%	\$725,295	13%	\$183,095	4%	\$1,299,068	44%	\$26,329,397	43%
Venture Captl	1	\$8,158,218	18%	\$2,048,965	38%	\$182,046	4%	\$1,175,194	40%	\$12,428,422	20%
Mezzanine	2	\$3,910,455	9%	\$696,018	13%	\$3,553,586	82%	\$420,240	14%	\$9,522,275	15%
<i>Private Equity Subtotal</i>		<i>\$35,332,693</i>	<i>79%</i>	<i>\$3,470,278</i>	<i>64%</i>	<i>\$3,918,727</i>	<i>91%</i>	<i>\$2,894,502</i>	<i>99%</i>	<i>\$48,280,094</i>	<i>78%</i>
Multi-Strategy	13	\$3,914,863	9%	\$688,007	13%	\$423	0%	\$1,199	0%	\$5,473,994	9%
Long/Short	5	\$2,433,155	5%	\$667,164	12%	\$0	0%	\$0	0%	\$3,352,476	5%
Distressed	11	\$1,550,450	3%	\$248,579	5%	\$135,098	3%	\$861	0%	\$2,056,924	3%
Global Macro	4	\$731,992	2%	\$99,759	2%	\$0	0%	\$0	0%	\$831,751	1%
Fixed Income Arb	7	\$376,398	1%	\$18,251	0%	\$221,317	5%	\$0	0%	\$629,995	1%
Emerging Mkts	12	\$212,064	0%	\$29,360	1%	\$0	0%	\$0	0%	\$327,782	1%
Sector Investing	10	\$186,180	0%	\$50,380	1%	\$870	0%	\$35,839	1%	\$321,548	1%
Convertible Arb	8	\$58,860	0%	\$32,720	1%	\$40,380	1%	\$0	0%	\$134,219	0%
Merger Arb	6	\$36,603	0%	\$82,474	2%	\$0	0%	\$0	0%	\$119,077	0%
Futures, Options, FX	9	\$39,728	0%	\$64,866	1%	\$0	0%	\$0	0%	\$104,595	0%
<i>Hedge Fund Subtotal</i>		<i>\$9,540,295</i>	<i>21%</i>	<i>\$1,981,560</i>	<i>36%</i>	<i>\$398,087</i>	<i>9%</i>	<i>\$37,899</i>	<i>1%</i>	<i>\$13,352,360</i>	<i>22%</i>
Total		\$44,872,987	100%	\$5,451,838	100%	\$4,316,814	100%	\$2,932,400	100%	\$61,632,484	100%
		73%		9%		7%		5%		100%	

The majority of these investments, \$44.9 billion or 73%, have the underlying characteristic of equity, and private equity strategies dominate hedge funds with \$48.3 billion (or 78%) of the \$61.6 billion of identified private equity and hedge fund investments.

The next table shows how different types of insurers allocated among strategies in 2010.

Strategy (\$000)		Life	%	P/C	%	Fraternal	%	Health	%	Title	%	Total	%
LBO	3	\$20,191,914	49%	\$4,751,159	27%	\$1,373,764	79%	\$12,559	2%	\$0	0%	\$26,329,397	43%
Venture Captl	1	\$6,826,974	16%	\$5,063,643	28%	\$37,503	2%	\$499,041	79%	\$1,261	74%	\$12,428,422	20%
Mezzanine	2	\$7,667,726	19%	\$1,558,951	9%	\$295,229	17%	\$369	0%	\$0	0%	\$9,522,275	15%
<i>Private Equity Subtotal</i>		<i>\$34,686,614</i>	<i>84%</i>	<i>\$11,373,753</i>	<i>64%</i>	<i>\$1,706,496</i>	<i>98%</i>	<i>\$511,969</i>	<i>82%</i>	<i>\$1,261</i>	<i>74%</i>	<i>\$48,280,094</i>	<i>78%</i>
Multi-Strategy	13	\$2,712,138	7%	\$2,721,866	15%	\$26,972	2%	\$12,567	2%	\$451	26%	\$5,473,994	9%
Long/Short	5	\$1,509,686	4%	\$1,739,239	10%	\$0	0%	\$103,551	16%	\$0	0%	\$3,352,476	5%
Distressed	11	\$1,227,234	3%	\$829,690	5%	\$0	0%	\$0	0%	\$0	0%	\$2,056,924	3%
Global Macro	4	\$298,753	1%	\$532,998	3%	\$0	0%	\$0	0%	\$0	0%	\$831,751	1%
Fixed Income Arb'	7	\$577,374	1%	\$52,620	0%	\$0	0%	\$1	0%	\$0	0%	\$629,995	1%
Emerging Mkts	12	\$181,089	0%	\$146,692	1%	\$0	0%	\$0	0%	\$0	0%	\$327,782	1%
Sector Investing	10	\$115,344	0%	\$206,204	1%	\$0	0%	\$0	0%	\$0	0%	\$321,548	1%
Convertible Arb'	8	\$48,343	0%	\$85,877	0%	\$0	0%	\$0	0%	\$0	0%	\$134,219	0%
Merger Arb'	6	\$27,141	0%	\$91,986	1%	\$0	0%	\$0	0%	\$0	0%	\$119,077	0%
Futures, Options, FX	9	\$5,089	0%	\$99,555	1%	\$0	0%	\$0	0%	\$0	0%	\$104,595	0%
<i>Hedge Fund Subtotal</i>		<i>\$6,702,141</i>	<i>16%</i>	<i>\$6,506,677</i>	<i>36%</i>	<i>\$26,972</i>	<i>2%</i>	<i>\$116,119</i>	<i>18%</i>	<i>\$451</i>	<i>26%</i>	<i>\$13,352,360</i>	<i>22%</i>
Total		\$41,388,755	100%	\$17,880,430	100%	\$1,733,469	100%	\$628,088	100%	\$1,712	100%	\$61,632,454	100%
		67%		29%		3%		1%		0%		100%	

Life companies account for just more than two-thirds of insurers' alternative investments, at \$41.4 billion (or 67%) of the \$61.6 billion, with a strong preference for private equity strategies (84%). Fraternal were the most concentrated in private equity (98%). Property/casualty companies had the highest allocation to hedge fund strategies but still strongly favor private equity (64%).

The following table shows how insurers' allocation among various alternative strategies has changed since strategy disclosures began in 2005 (sorted by 2010 BACV).

BACV by Strategy (\$000)		2005	2006	2007	2008	2009	2010	2010
None		\$99,393,628	\$101,871,248	\$133,362,132	\$123,276,943	\$125,065,708	\$170,922,671	73%
LBO	3	\$9,488,537	\$13,593,715	\$19,314,634	\$18,597,577	\$21,233,235	\$26,329,397	11%
Venture Captl	1	\$5,919,455	\$8,139,142	\$11,324,880	\$10,733,470	\$10,329,721	\$12,428,422	5%
Mezzanine	2	\$3,391,240	\$5,049,667	\$5,966,917	\$8,725,762	\$9,424,561	\$9,522,275	4%
Multi-Strategy	13	\$4,236,494	\$5,328,602	\$7,513,659	\$5,361,060	\$4,377,845	\$5,473,994	2%
Long/Short	5	\$2,153,880	\$3,066,779	\$6,231,577	\$3,931,474	\$2,860,644	\$3,352,476	1%
Distressed	11	\$710,628	\$1,612,836	\$2,342,475	\$1,284,297	\$1,577,360	\$2,056,924	1%
Global Macro	4	\$283,110	\$396,798	\$414,245	\$562,097	\$789,901	\$831,751	0%
Fixed Income Arb'	7	\$1,286,923	\$1,089,081	\$889,518	\$421,568	\$600,538	\$629,995	0%
Emerging Mkts	12	\$142,063	\$259,347	\$557,149	\$378,652	\$346,111	\$327,782	0%
Sector Investing	10	\$525,395	\$496,408	\$564,017	\$216,876	\$293,958	\$321,548	0%
Convertible Arb'	8	\$184,388	\$433,683	\$405,070	\$108,536	\$141,626	\$134,219	0%
Merger Arb'	6	\$116,293	\$142,831	\$189,356	\$70,546	\$102,363	\$119,077	0%
Futures, Options, FX	9	\$49,717	\$70,284	\$63,871	\$44,185	\$86,940	\$104,595	0%
Subtotal 1 - 13		\$28,488,122	\$39,679,174	\$55,777,368	\$50,436,100	\$52,164,801	\$61,632,454	27%
Total		\$127,881,750	\$141,550,422	\$189,139,501	\$173,713,043	\$177,230,509	\$232,555,125	100%

The next table shows various reported performance measures by strategy. The data below includes 2004 in order to maintain comparability among tables. Not every measure was reported in every year, which means that "Incr/Decr by Adjustment" reflects 2004 – 2007 market conditions and OTTI and Unrealized Value Incr/Decr reflects 2008 – 2010 conditions. The strategies remain sorted by their 2010 BACV, as above.

Strategy (\$000)		OTTI	Unrealized Value Incr/Decr	Incr/Decr by Adjustment	Depreciation / Amort'	FX Adjustment	Investment Income
None		(\$10,247,720)	(\$7,502,211)	\$14,182,893	(\$1,345,414)	\$12,389,040	\$44,098,691
LBO	3	(\$1,521,268)	(\$618,706)	\$3,274,632	(\$2,441)	(\$9,050)	\$9,370,252
Venture Captl	1	(\$758,091)	(\$191,736)	\$991,274	(\$92,971)	(\$10,330)	\$2,457,410
Mezzanine	2	(\$763,569)	(\$414,613)	\$374,066	(\$4,110)	(\$56,629)	\$2,514,249
Multi-Strategy	13	(\$357,724)	(\$207,673)	\$1,190,839	(\$24)	\$259	\$721,505
Long /Short	5	(\$181,493)	(\$541,619)	\$1,811,413	\$1,522	(\$5)	\$328,603
Distressed	11	(\$176,080)	\$185,051	\$375,530	\$0	\$0	\$436,814
Global Macro	4	(\$4,698)	\$70,736	\$85,888	\$7	\$0	\$29,637
Fixed Income Arb'	7	(\$46,648)	\$23,176	\$109,665	\$0	\$0	\$24,947
Emerging Mkts	12	(\$25,800)	\$26,766	\$147,296	\$0	\$0	\$113,324
Sector Investing	10	(\$51,836)	(\$6,929)	\$38,791	\$0	\$0	\$49,539
Convertible Arb'	8	(\$6,474)	(\$11,556)	\$129,421	\$0	\$0	\$8,760
Merger Arb'	6	(\$317)	\$12,720	\$32,548	\$0	\$0	\$0
Futures, Options, FX	9	(\$2,034)	\$9,989	\$15,215	\$0	\$0	\$17,011
Strategies 1-13		(\$3,896,035)	(\$1,664,393)	\$8,576,579	(\$98,017)	(\$75,755)	\$16,072,052
Total		(\$14,143,755)	(\$9,166,605)	\$22,759,472	(\$1,443,430)	\$12,313,285	\$60,170,743

The next table adds up the various adjustments above.

Strategy (\$000)		All Adjustments	Investment Income	Income + Adjustments
None		\$7,476,587	\$44,098,691	\$51,575,278
LBO	3	\$1,123,166	\$9,370,252	\$10,493,418
Venture Captl	1	(\$61,853)	\$2,457,410	\$2,395,557
Mezzanine	2	(\$864,854)	\$2,514,249	\$1,649,395
Multi-Strategy	13	\$625,677	\$721,505	\$1,347,182
Long /Short	5	\$1,089,819	\$328,603	\$1,418,422
Distressed	11	\$384,500	\$436,814	\$821,314
Global Macro	4	\$151,934	\$29,637	\$181,571
Fixed Income Arb'	7	\$86,193	\$24,947	\$111,140
Emerging Mkts	12	\$148,263	\$113,324	\$261,587
Sector Investing	10	(\$19,974)	\$49,539	\$29,565
Convertible Arb'	8	\$111,390	\$8,760	\$120,150
Merger Arb'	6	\$44,951	\$0	\$44,951
Futures, Options, FX	9	\$23,169	\$17,011	\$40,180
Strategies 1-13		\$2,842,379	\$16,072,052	\$18,914,432
Total		\$10,318,966	\$60,170,743	\$70,489,710

Over the years, OTTI and the other adjustments are a net positive, except for three strategies, and investment income has been substantially in excess of all adjustments.

Summary

Insurers' Schedule BA investments contain a highly diverse group of investments where the idiosyncratic dominates. Schedule BA investments have more than doubled since 2004, with unfunded commitments making further increases likely.

Although significant in dollar terms, at \$61.6 billion, "alternative" private equity and hedge fund investments are only a fourth of Schedule BA BACV. These investments have fluctuated in value over this period but remain a net positive, especially after adding in investment income. Life companies account for almost half of Schedule BA investments; however, Berkshire Hathaway by itself accounts for nearly a fourth. Affiliated investments account for just more than half of Schedule BA. While comprising less than 5% of the industry's cash and invested assets,

Schedule BA contains some of the industry's largest single investments, even excluding Berkshire.viii

In a future report, we may examine some of these categories in greater depth or see how allocations (and performance) among the categories have changed over time.

September 23, 2011								
Major Insurer Share Prices		Close	Change %			Prior		
			Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	\$31.46	(13.4)	(33.7)	(44.2)	\$36.33	\$47.43	\$56.43
	Ameriprise	39.77	(11.8)	(31.9)	(30.9)	45.07	58.39	57.55
	Genworth	5.09	(17.4)	(51.8)	(61.3)	6.16	10.56	13.14
	Lincoln	15.30	(20.3)	(47.5)	(45.0)	19.20	29.15	27.81
	MetLife	26.82	(18.8)	(39.6)	(39.6)	33.04	44.38	44.44
	Principal	22.89	(10.2)	(25.9)	(29.7)	25.49	30.87	32.56
	Protective	15.17	(13.7)	(35.6)	(43.1)	17.58	23.56	26.64
	Prudential	43.93	(14.6)	(32.2)	(25.2)	51.45	64.77	58.71
	UNUM	20.75	(10.4)	(20.0)	(14.3)	23.16	25.94	24.22
PC	ACE	\$59.70	(5.0)	(9.9)	(4.1)	\$62.86	\$66.26	\$62.25
	Axis Capital	25.43	(8.5)	(18.3)	(29.1)	27.79	31.13	35.88
	Allstate	22.77	(8.7)	(26.3)	(28.6)	24.94	30.90	31.88
	Arch Capital	31.59	(6.1)	(3.0)	7.6	33.65	32.56	29.35
	Cincinnati	25.45	(8.6)	(13.6)	(19.7)	27.83	29.47	31.69
	Chubb	57.89	(4.1)	(8.2)	(2.9)	60.39	63.03	59.64
	Everest Re	76.96	(2.3)	(5.9)	(9.3)	78.77	81.80	84.82
	Progressive	17.16	(6.1)	(20.0)	(13.6)	18.27	21.44	19.87
	Travelers	47.12	(6.9)	(20.3)	(15.4)	50.61	59.11	55.71
	WR Berkley	28.40	(4.9)	(13.3)	3.7	29.86	32.75	27.38
	XL	18.36	(8.3)	(17.7)	(15.9)	20.03	22.30	21.82
Other	AON	\$40.00	(9.1)	(22.6)	(13.1)	\$44.02	\$51.71	\$46.01
	AIG	22.19	(12.8)	(26.0)	(34.0)	25.44	29.98	48.27
	Assurant	33.90	(5.4)	(7.5)	(12.0)	35.85	36.64	38.52
	Fidelity National	15.40	(5.4)	(3.8)	12.6	16.28	16.00	13.68
	Hartford	16.07	(15.2)	(40.6)	(39.3)	18.94	27.05	26.49
	Marsh	26.68	(6.6)	(15.4)	(2.4)	28.57	31.54	27.34
Health	Aetna	\$38.65	(6.9)	(14.5)	26.7	\$41.53	\$45.23	\$30.51
	Cigna	42.26	(8.9)	(19.0)	15.3	46.40	52.20	36.66
	Humana	77.08	(2.9)	(7.3)	40.8	79.40	83.12	54.74
	United	47.60	(6.2)	(10.4)	31.8	50.76	53.13	36.11
	WellPoint	64.05	(5.4)	(20.7)	12.6	67.70	80.79	56.86
Monoline	Assured	\$10.17	(11.9)	(39.5)	(42.5)	\$11.55	\$16.82	\$17.70
	MBIA	7.40	(13.9)	(18.4)	(38.3)	8.59	9.07	11.99
	MGIC	1.86	(25.3)	(69.5)	(81.7)	2.49	6.10	10.19
	PMI	0.20	(10.0)	(81.6)	(93.8)	0.23	1.11	3.30
	Radian	2.21	(18.5)	(48.2)	(72.6)	2.71	4.27	8.07
	XL Capital	18.36	(8.3)	(17.7)	(15.9)	20.03	22.30	21.82

September 23, 2011							
Major Market Variables							
	Close	Change %			Prior		
		Week	QTD	YTD	Week	Quarter	Year
Dow Jones Ind	10,771.48	(6.4)	(14.4)	(7.0)	11,509.09	12,582.77	11,577.51
S&P 500	1,136.43	(6.5)	(15.2)	(9.6)	1,216.01	1,339.67	1,257.64
S&P Financial	157.48	(9.5)	(25.2)	(26.7)	174.00	210.45	214.77
S&P Insurance	146.07	(9.6)	(22.7)	(22.4)	161.55	189.06	188.22
US Dollar \$							
		Change %			Prior		
/ Euro	\$1.35	(2.1)	(7.1)	0.9	\$1.38	\$1.45	\$1.34
/ Crude Oil bbl	79.85	(9.2)	(15.9)	(13.4)	87.96	94.94	92.22
/ Gold oz	1,637.70	(9.6)	10.5	15.3	1,812.50	1,482.60	1,420.78
Treasury Ylds %							
	%	Change			%	%	%
1 Year	0.10	0.02	(0.10)	(0.18)	0.08	0.19	0.27
10 Year	1.84	(0.22)	(1.35)	(1.46)	2.05	3.18	3.30
30 Year	2.90	(0.41)	(1.49)	(1.43)	3.32	4.39	4.34
Corp Credit Spreads -bp							
		Change %			Prior		
CDX.IG	124.34	8.4	62.0	46.3	114.67	76.76	85.00

September 23, 2011								
Major Insurer Bond Yields								
Company	Coupon	Maturity	Price			Spread		
			Current	Change	Yield	B.P.	Change	
Life	Aflac	8.500%	5/15/2019	\$125.32	(\$0.79)	4.53%	291	8
	Ameriprise	5.300%	3/15/2020	\$111.38	(\$0.59)	3.72%	198	18
	Genworth	6.515%	5/15/2018	\$88.52	(\$1.94)	8.83%	741	44
	Lincoln National	8.750%	7/15/2019	\$121.43	(\$0.99)	5.34%	359	5
	MassMutual	8.875%	6/15/2039	\$151.10	\$2.45	5.32%	242	15
	MetLife	4.750%	2/15/2021	\$105.15	(\$1.63)	4.08%	220	28
	Mutual of Omaha	6.800%	6/15/2036	\$115.86	\$1.71	5.61%	288	7
	New York Life	6.750%	11/15/2039	\$124.06	(\$0.08)	5.12%	214	23
	Northwestern Mutual	6.063%	3/15/2040	\$121.61	\$3.37	4.68%	162	(0)
	Pacific Life	9.250%	6/15/2039	\$130.76	(\$0.89)	6.77%	388	24
	Principal	6.050%	10/15/2036	\$109.32	\$3.45	5.37%	253	(12)
	Prudential	4.500%	11/15/2020	\$100.92	(\$1.53)	4.38%	246	18
	TIAA	6.850%	12/15/2039	\$124.55	(\$1.76)	5.18%	225	37
P&C	ACE INA	5.900%	6/15/2019	\$117.84	(\$1.69)	3.26%	161	26
	Allstate	7.450%	5/15/2019	\$122.87	(\$1.13)	3.95%	233	13
	American Financial	9.875%	6/15/2019	\$122.68	(\$3.66)	6.14%	451	55
	Berkshire Hathaway	5.400%	5/15/2018	\$114.94	(\$1.16)	2.91%	144	12
	Travelers	3.900%	11/15/2020	\$102.62	(\$1.21)	3.56%	166	14
	XL Group	6.250%	5/15/2027	\$105.01	(\$1.16)	5.76%	354	23
Other	AON	5.000%	9/15/2020	\$108.10	(\$1.39)	3.92%	200	14
	AIG	5.850%	1/15/2018	\$100.36	(\$2.00)	5.78%	447	41
	Fidelity National	7.875%	7/15/2020	\$105.19	(\$0.31)	7.07%	552	4
	Hartford	5.500%	3/15/2020	\$99.07	(\$1.50)	5.64%	386	25
	Marsh	9.250%	4/15/2019	\$133.73	(\$0.62)	4.02%	244	9
	Nationwide	9.375%	8/15/1939	\$125.35	(\$1.86)	7.24%	430	47
Health	Aetna	3.950%	9/15/2020	\$104.32	\$0.09	3.38%	159	5
	CIGNA	5.125%	6/15/2020	\$111.01	\$0.52	3.64%	183	(6)
	United Healthcare	3.875%	10/15/2020	\$105.86	(\$0.37)	3.13%	131	5
	Wellpoint	4.350%	8/15/2020	\$106.93	(\$0.51)	3.44%	164	12

Questions and comments are always welcome. Please contact the Capital Markets Bureau at CapitalMarkets@naic.org.

The views expressed in this publication do not necessarily represent the views of NAIC, its officers or members. NO WARRANTY IS MADE, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY OPINION OR INFORMATION GIVEN OR MADE IN THIS PUBLICATION.

© 1990 – 2018 National Association of Insurance Commissioners. All rights reserved.