Capital Markets Special Report

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**

Year-End 2013 Update to the Insurance Industry's Exposure to Commercial Real Estate

The U.S. insurance industry has been a longstanding investor in the commercial real estate (CRE) market. As of Dec. 31, 2013, insurers reported exposure as measured by book/adjusted carrying value (BACV) to CRE through direct commercial mortgage loans ($342 billion); investments in commercial mortgage-backed securities (CMBS) ($191.4 billion); real estate investment trusts (REITS) debt and equity ($50.9 billion); affiliated insurer-owned real estate ($38.8 billion); and affiliated and unaffiliated CRE joint ventures through partnerships and LLCs ($42.7 billion). The industry's exposure to commercial mortgage loans represents more than 50% of its CRE investments (See Table 1). CMBS investments accounted for about 29% of CRE investments. CRE investments increased about 5% to $665.8 billion, or about 12% of cash and invested assets, in 2013 from $633.6 billion in 2012. Life insurers held about 85% of the insurance industry's total CRE investments in 2013.

The NAIC Capital Markets Bureau published a special report in December 2012 titled "The Insurance Industry's Exposure to Commercial Mortgage Lending and Real Estate: A Detailed Review of the Life Insurance Industry's Commercial Mortgage Loan Holdings (Part II)," which focused on life insurance company exposure to CRE as of year-end 2011. This followed a preceding special report published in October 2012 titled **"The Insurance Industry's Exposure to Commercial Mortgage Lending and Commercial Real Estate Investments: An Overview (Part I)."** Although life insurers hold the vast majority of CRE investments, this special report includes analysis on the fraternal, property, title and health segments, in addition to providing an update on the life industry's CRE investments as of year-end 2013.

Table 1: 2013 YE BACV of Commercial Real Estate Exposure (Mil. $)

Assets	Life	P/C	Fraternal	Title	Health	Total	Pct. Of Total
Commercial Mortgage Loans	324,390.2	7,549.4	10,085.1	26.4	34.7	342,085.8	51.4%
CMBS	148,159.9	35,197.9	4,909.7	21.3	3,147.2	191,436.0	28.8%
REITS	39,427.2	8,331.8	2,258.0	134.6	736.1	50,887.7	7.6%
Property Owned	23,935.5	10,055.2	317.0	175.8	4,270.1	38,753.6	5.8%
Commercial Real Estate - JV	29,241.0	12,725.0	264.7	53.4	378.7	42,662.8	6.4%
Industry Total	565,153.8	73,859.3	17,834.4	411.6	8,566.8	665,825.9	100.0%
Industry as Pct of Total	84.9%	11.1%	2.7%	0.1%	1.3%	100.0%	

Table 2: 2012 YE BACV of Commercial Real Estate Exposure (Mil. $)

Assets	Life	P/C	Fraternal	Title	Health	Total	Pct. Of Total
Commercial Mortgage Loans	309,305.3	5,198.2	9,866.2	26.9	32.0	324,428.6	51.2%
CMBS	147,608.1	33,033.9	4,928.6	22.5	2,529.4	188,122.5	29.7%
REITS	35,302.5	5,667.2	1,751.6	107.6	515.5	43,344.5	6.8%
Property Owned	23,043.4	10,471.3	337.5	170.6	4,217.5	38,240.3	6.0%
Commercial Real Estate - JV	28,796.3	10,268.6	287.6	2.3	145.5	39,500.3	6.2%
Industry Total	544,055.6	64,639.2	17,171.4	329.9	7,440.0	633,636.2	100.0%
Industry as Pct of Total	85.9%	10.2%	2.7%	0.1%	1.2%	100.0%	

Commercial Real Estate Market Trends

The U.S. economy as measured by gross domestic product (GDP) continued to show signs of moderate but steady growth in Q3 2014 from its Q2 2014 4.6% increase. Second-quarter corporate profits were up 8.4%, the second largest increase since 2010. The U.S. Department of Labor (DOL) reported nonfarm payrolls grew by 248,000 in September 2014, bringing the unemployment rate to below 6%.

With regard to real estate, the U.S. Census Bureau reported a year-over-year (YOY) increase of 17.5% in August 2014 for multifamily housing permits. The actual value of multifamily construction in August 2014 was $44.2 billion, a 35.9% increase from a year ago. This increase is due in part to the low supply of multifamily housing during the 2000s along with an aging population (i.e. demand greater than supply), according to the CFA Institute. Nonresidential value of construction increased 9.2% over the year ago figure, though new supply continues at historically low levels. According to Standard & Poor's (S&P), so-called millennial burdened with student loan debt and low job prospects may remain renters for years to come, thus continuing the favorable demographic trends in multifamily housing.

In an October 2014 report, commercial real estate company CBRE highlighted that office vacancy rates fell 40 basis points (bps) to 14.1% in Q3 2014. The quarterly decrease in vacancies is the ninth consecutive quarter of no increase in vacancy rates. CBRE believes that the low supply of available office space has aided the recovery in the office market. Low availability is also pushing rent growth in the retail space.

With such an economic backdrop, one would expect increased originations. The Mortgage Bankers Association (MBA) reported a 13% decrease in loan originations in Q2 2014, but YOY it is down 2%. The MBA believes the decrease in originations is due mainly to a low volume of current loans reaching maturity. It expects loan maturities to increase in 2015 into 2017.

In early 2000, low interest rates (and by extension, mortgage rates) partly drove demand for residential mortgage loans, resulting in inflated home values. A similar environment exists today in CRE where interest rates are inflating CRE values and fueling CRE debt availability, with liquidity growth far outpacing recovery of CRE fundamentals.

Components of Insurer CRE Exposure

Commercial Mortgage Loans

Federal Reserve Board data shows about $2.5 trillion in mortgage loan debt outstanding as of Q4 2013. U.S. insurers held about 13.7% of this amount, or $342 billion. The life insurance industry owned approximately 95% of the $342 billion in direct insurer-owned outstanding commercial mortgage loans, constituting about 9% of the life industry's cash and invested assets. Commercial mortgage loans as a percent of insurer assets fell sharply after the crisis, reaching their lowest point in 2009, and have since been rebuilding. Industry-wide, the BACV of mortgage investments increased about $17.7 billion from 2012 ($324.4 billion) to 2013. Less than 1% of the outstanding loans were categorized as restructured, 90-days delinquent or in the foreclosure process (See Table 3). A restructured loan is defined in the annual statement instructions as a loan whose basic terms such as interest rate, maturity date, collateral or guaranty have been modified as a result of actual or anticipated delinquency.

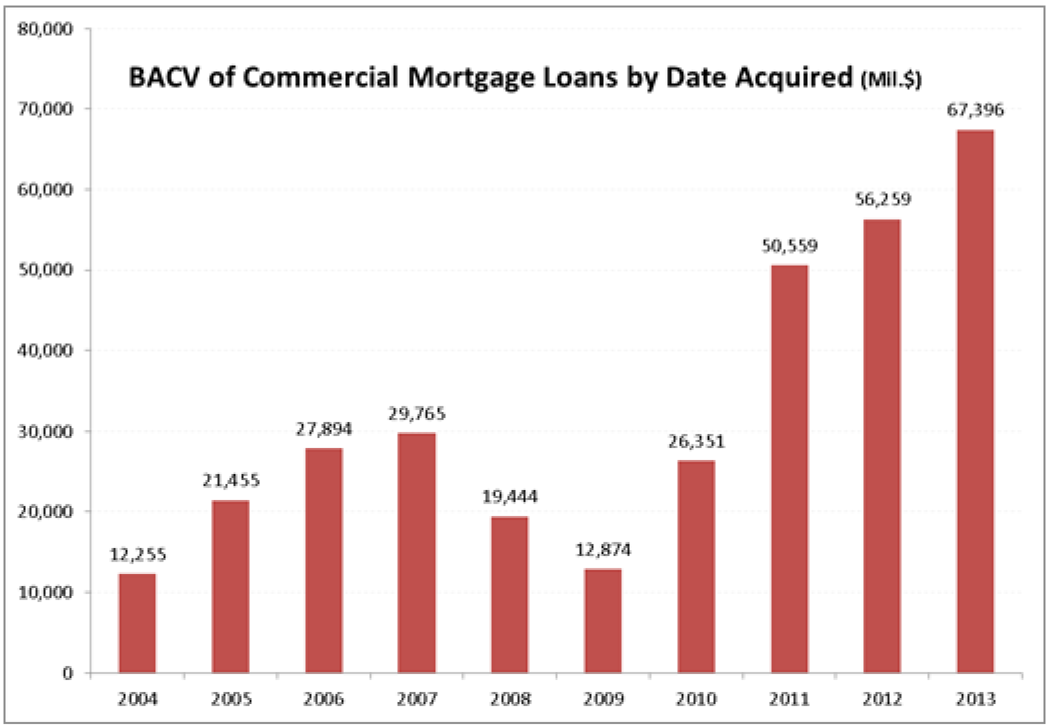
A relatively small number of insurance companies invest in commercial mortgage loans. A total of 449 insurers reported exposure to commercial mortgage loans. Life insurers were 63% of the total number of insurers with reported exposure to commercial mortgage loans. Life insurers (comprising the top 10 insurers) as measured by BACV, accounted for 45% ($154.5 billion) of the commercial mortgage loan exposure. The top 25 accounted for 69% of commercial mortgage loans compared with 70% in the previous analysis in 2011.

Table 3: 2013 Commercial Mortgage Loan Investments by Segment (BACV, Mil. $)

Delinquency Status	Total	Pct. Of Total
Current	340,168.8	99.4%
Restructured	1,703.8	0.5%
90-Days	106.9	0.0%
Foreclosure	106.2	0.0%
Industry Total	342,085.8	100.0%

U.S. insurers have dramatically increased their investment in commercial mortgages since 2009. Insurers reported new loan acquisitions of about $67.4 billion in 2013 compared with $12.8 billion new loans in 2009, over a four-fold increase. The prior peak year was 2007, before the onset of the financial crisis. About one-third of commercial mortgage loan exposure includes 2011 – 2013 vintages.

Chart 1:



Insurer lending is concentrated in major metropolitan areas, primarily on the U.S. East Coast and West Coast. Commercial mortgage loans on properties located in California accounted for 20% ($69.7 billion) of BACV in 2013. The BACV of loans on properties located in New York and New Jersey accounted for 12%, or $41.1 billion. The top 10 states accounted for about 65% of commercial mortgage loan exposure.

Table 4: 2013 Top-10 State Concentration of Commercial Mortgage Loan (BACV, Mil. $)

State of Origination	Life	P/C	Fraternal	Title	Total	Pct of Total
California	66,787.0	1,150.4	1,776.9	16.9	69,731.2	20.4%
Texas	29,423.8	508.0	662.1	0.0	30,593.9	8.9%
New York	26,578.8	446.6	193.4	0.0	27,218.8	8.0%
Florida	17,731.8	418.1	648.2	0.0	18,798.1	5.5%
Illinois	16,306.4	314.9	277.2	0.0	16,898.4	4.9%
New Jersey	13,285.8	166.2	428.8	0.0	13,880.8	4.1%
Virginia	11,615.4	105.4	242.3	0.0	11,963.1	3.5%
Washington	11,135.6	201.9	363.2	0.0	11,700.8	3.4%
Georgia	10,468.8	185.3	168.9	0.0	10,823.0	3.2%
Maryland	10,285.4	279.8	232.9	0.0	10,798.0	3.2%
Top 10 Industry Total	**213,618.8**	**3,776.5**	**4,993.8**	**16.9**	**222,406.1**	**65.0%**

Insurer commercial mortgage loan portfolios have performed substantially better than the market overall due in part to more conservative underwriting standards. Commercial mortgages held by U.S. insurers mainly consisted of performing loans with more than 99% of the $342.1 billion BACV classified as current. The 90-day bucket was only about $106.9 million, and foreclosures were $106.2 million. These positive attributes are likely due to increasing values and decreasing vacancies in the larger CRE markets allowing for refinancing of outstanding loans. When the BACV of all delinquent commercial mortgage loans are separated into buckets by year, we observed, not surprisingly, that 2007 vintage loans accounted for the largest percentage of delinquencies (27%). Loans originated in 2006 and 2008 each accounted for 22% of delinquencies.

The loan-to-value (LTV) ratio is one metric typically used to evaluate the credit quality of a commercial mortgage loan, specifically the extent of loss in the event of a default. Based on the reported recent valuation and current outstanding loan amount (BACV), we calculated an LTV ratio for each loan. In evaluating overall credit quality, a lower LTV ratio indicates a higher-quality loan, and, conversely, a higher LTV indicates a lower-quality loan. A LTV greater than 100% means that the loan on the property exceeds the value of the property itself. On a BACV-weighted basis, about 12% of the industry's commercial mortgage holdings had an LTV ratio of greater than 70% as of year-end 2013 compared to 15% with LTV greater than 70% in 2012. Loans with LTVs greater than 100% were less than 1% (in terms of BACV) of total commercial mortgage loan exposure as of year-end 2013. The insurance industry's average LTV on a BACV-weighted basis was approximately 56%, indicating that there is a sizable cushion before the average loan is expected to experience credit stress.

LTV is a more valuable measure given a timely appraisal. About 54% of the industry's commercial mortgage loans had appraisals completed in 2013, with another 12% completed in 2012. Almost all of the loans with 2013 appraisals were current. For the less than 1% of loans with 2013 appraisals that were delinquent, the largest were in Illinois, followed by Georgia and California.

The improved performance of insurer commercial mortgage loans is reflected in steadily improving unrealized gain (loss) and Other Than Temporary Impairment (OTTI). In 2013, insurers reported an unrealized gain of $40.4 million versus an unrealized loss of $132.8 million in 2008. OTTI was $310.8 million in 2008; it peaked at $440.4 million in 2009 and was $94.9 million in 2013.

Note that there is a new framework for assigning life insurance company RBC C-1 for commercial mortgages in good standing. The new framework has five risk cohorts, each with an assigned RBC factor. Each loan in a portfolio of mortgages will be assigned to one of the risk cohorts based on debt service coverage and LTV.

CMBS Market Trends and U.S. Insurance Industry Exposure

According to S&P, 2014 CMBS issuance is running slightly ahead of the year-to-date 2013 pace at about $70 billion. In its 2014 CMBS forecast, Moody's Investors Service estimated issuance at about $100 billion. It believes that loans maturing in 2014 will benefit from low interest rates, allowing for easy refinancing or sale to pay off loan balances.

CMBS issuance in 2013 was fueled by low interest rates, escalating values and improving fundamentals in CRE. U.S. insurers looking for yield responded to the positive economic environment by increasing exposure to CMBS to $191.4 billion (BACV) in 2013 from $188.1 billion in 2012, the majority of which was private label (private label refers to CMBS not supported by a government sponsored entity, i.e. Fannie Mae). Life companies accounted for the majority of the insurance industry's CMBS exposure at 66.3% in 2013 ($126.9 billion), followed by 14.4% ($27.6 billion) with P/C companies. This was relatively consistent with the industry's CMBS exposure in 2012.

Insurers remained discriminate in their CMBS acquisitions with a focus on investment grade—that is, lower risk NAIC 1- and NAIC 2-designated CMBS. NAIC 1 and NAIC 2 accounted for almost 98% of CMBS acquired.

Table 5: NAIC Designation of CMBS Investments (BACV, Mil. $)

NAIC	Total	Pct. Of Total
1	186,120.3	97.2%
2	1,259.8	0.7%
NAIC 1 & 2	**187,380.1**	**97.9%**
3	1,294.5	0.7%
4	1,069.6	0.6%
5	1,043.4	0.5%
6	648.3	0.3%
N.A.	0.1	0.0%
	191,436.0	

The NAIC has been modeling insurance industry private-label CMBS holdings for the past four years as part of the NAIC designation process. Prior to this method, the credit opinions provided by credit rating providers were translated to NAIC designations, based on a set formula, which are mapped to risk-based capital factors. As of year-end 2013, the modeled private-label CMBS had a BACV of about $154.8 billion, about 97.4%, or $151 billion of which received an NAIC 1 designation.

A broad description of the modeling process begins with determining a recovery value based on modeled losses (if any) for each security. Insurers compare these prices to their BACV in order to determine NAIC designations, which are, in turn, mapped to RBC. For greater detail, please refer to "Overview of U.S. Insurance Industry Holdings of Modeled Non-Agency Mortgage-Backed Securities," published July 2014 in the NAIC's CIPR Newsletter.

CMBS Performance Outlook

S&P reported that delinquency rates for S&P-rated CMBS (i.e., in the overall CMBS market) fell 14 bps to 6.79% on September 2014 remits. The delinquency rate for conduit CMBS (that is, the underlying pool includes mortgage loans on multiple properties) was 7.49%. New delinquencies totaled $723 million during September 2014 compared with $667 million exiting delinquency. S&P also reported increasing presences of interest-only (IO) loans (i.e., bullet loans) in recent conduit deals, which increases future refinance risk. S&P stated, "66% of loans in Q3 conduits, by balance, have an IO component, with nearly 70% in Sept." Fitch Ratings (Fitch) expressed similar concerns related to future risk in a report published Aug. 20, 2014, where it highlighted, "concerns about more aggressive underwriting …" Fitch, however, expects cumulative default rates for fixed-rate CMBS to be stable given the improving CRE fundamentals.

Average loss severities on the underlying loans that collateralize CMBS increased to 51.2% in 2013 from 50.5% in 2012, according to a Fitch report released in April 2014. Based on remittance data for September 2014, Barclays October 2014 CMBS Credit Handbook reports a September average loss severity of 64% across property types, with a 12-month average of 59%. The 60-days or more delinquency rate was 5.7%, based on an outstanding balance of $494.8 billion.

REIT Exposure

As of year-end 2013, the U.S. insurance industry owned $47 billion of debt issued by REITs on a BACV basis, up 8.4% from $43 billion held on Dec. 31, 2012. REIT securities offered by corporate issuers accounted for about 94.8% of the total exposure. Life insurers decreased their REIT debt exposure as a percent of total industry exposure to about 80.2% in 2013 from 81.5% in 2012.

Insurers focused their REIT investments in investment grade—that is, those with NAIC 1 and NAIC 2 designations. These two categories together accounted for about 97% of REIT exposure. NAIC 3 and NAIC 4 accounted for about 2.5%, with NAIC 5 and NAIC 6 comprising the remainder.

The industry’s REIT equity exposure was relatively unchanged from 2012 to 2013 at approximately $3.9 billion. This is noteworthy given total returns for REITS increased almost 16% (as mentioned below). A majority of the REIT equity exposure was split between life and property companies at $1.7 billion and $1.8 billion, respectively. Fraternal insurers decreased exposure to REIT equity by about 35% to $184.7 million in 2013 from about $285.6 million in 2012.

REIT Market Trends

In 2014, the REIT industry has raised $51.2 billion of capital through 176 offerings as of September. The total was comprised of three initial public common stock offerings raising $763 million: 1) 79 secondary common share offerings, $20.2 billion; 2) 20 preferred share offerings, $3.0 billion; and 3) 74 secondary unsecured debt offerings, $27.2 billion.

As of Oct. 13, 2014, year to date (YTD) total returns on the FTSE NAREIT U.S. Real Estate index, an index comprised of U.S. REITS and publicly traded real estate companies, was 15.59%. The best performing sector was residential, returning 25.64% YTD. The timber sector had the lowest return performance at 0.73%.

In an August 2014 ratings report, Fitch commented that bond investors are not discriminating between new and seasoned borrowers. The high demand for REIT investments has pushed spread to worst at the start of 2014 from 130 bps down to 110 bps.

Insurance Industry Property Owned Directly or Through Partnership/Joint Venture

As shown in Table 8, the insurance industry held about $38.8 billion of wholly owned real estate as of year-end 2013, a slight increase from $38.2 billion in 2012. This investment class is split between properties occupied by the insurer, properties held for production of income and properties held for sale. Properties held for income had a BACV of about $17.6 billion, and about $1.3 billion of the industry’s real estate owned is classified as held for sale.

Table 6: 2013 YE Insurer-owned Property by Segment (BACV, Mil. $)

Type	Fraternal	Life	P/C	Title	Health	Total	Pct of Total
Properties Occupied	183.5	6,960.9	8,554.8	95.2	4,063.1	19,857.4	51.2%
Properties Held for Income	107.8	16,021.6	1,251.9	29.3	198.4	17,608.9	45.4%
Properties Held for Sale	25.7	953.0	248.6	51.3	8.6	1,287.3	3.3%
Industry Total	317.0	23,935.5	10,055.2	175.8	4,270.1	38,753.6	100.0%
Pct of Industry Total	0.8%	61.8%	25.9%	0.5%	11.0%	100.0%	

Table 7: 2012 YE Insurer-owned Property by Segment (BACV, Mil. $)

Type	Fraternal	Life	P/C	Title	Health	Total	Pct of Total
Properties Occupied	185.7	7,049.9	9,022.1	69.7	3,971.7	20,299.0	53.1%
Properties Held for Income	101.3	15,426.5	1,244.3	51.5	209.5	17,033.1	44.5%
Properties Held for Sale	50.5	567.0	205.0	49.5	36.3	908.1	2.4%
Industry Total	337.5	23,043.4	10,471.3	170.6	4,217.5	38,240.3	100.0%
Pct of Industry Total	0.9%	60.3%	27.4%	0.4%	11.0%	100.0%	

Life insurers held the largest share of property owned at approximately 61.8%, representing a slight increase from its 60.3% share in 2012. Overall, the industry reduced its insurer occupied property to 51.2% in 2013 from 53.1% in 2012 and increased income property to 45.4% in 2013 from 44.5% in 2012. There is, however, a noticeable difference in the type of property owned between life and P/C insurers. Properties held for income was about 67% for life insurers. For P/C and health insurers, properties occupied made up 86% and 94%, respectively.

Insurance companies also own various forms of real estate-related investments, as reported in Schedule BA statutory filings, which includes other long-term investments that are not reported in other investment schedules. This includes indirect investments held in the form of joint ventures, partnerships and limited liability companies. The insurance industry reported $42.7 billion in real estate-related investments in other long-term investments, with the majority (about 69%) of this amount owned by life insurance companies. This is an 8% increase from the 2012 figure of $39.5 billion. Affiliated real estate joint ventures comprised 53.1% of the total with unaffiliated real estate joint ventures accounting for 34.1%.

Table 8: 2013 YE CRE Investments through Joint Venture or Partnership (BACV, Mil. $)

Type	Fraternal	Life	P/C	Title	Health	Total	Pct of Total
Mortgage loans - unaffiliated Investments	4.78	1,882.10	35.07	0.00	0.00	1,921.95	4.50%
Mortgage loans - affiliated Investments	0.00	1,583.49	298.54	0.09	0.00	1,882.12	4.41%
Real estate - unaffiliated JV	135.68	7,910.92	6,157.63	53.32	272.08	14,529.62	34.06%
Real estate - affiliated JV	124.25	16,821.66	5,685.52	0.03	33.11	22,664.57	53.12%
Mortgage loans - unaffiliated Investments JV	0.00	194.03	298.41	0.00	66.02	558.46	1.31%
Mortgage loans - affiliated Investments JV	0.00	848.77	249.81	0.00	7.50	1,106.08	2.59%
Industry Total	264.71	29,240.98	12,724.97	53.43	378.71	42,662.80	100.00%
Pct of Industry Total	0.62%	68.54%	29.83%	0.13%	0.89%	100.00%	

Table 9: 2012 CRE Investments through Joint Venture or Partnership (BACV, Mil. $)

Type	Fraternal	Life	P/C	Title	Health	Total	Pct of Total
Mortgage loans - unaffiliated Investments	7.83	2,156.38	21.23	0.00	0.00	2,185.44	5.53%
Mortgage loans - affiliated Investments	0.00	2,817.40	3.00	0.09	0.00	2,820.49	7.14%
Real estate - unaffiliated JV	128.62	8,581.13	5,473.08	2.21	102.53	14,287.57	36.17%
Real estate - affiliated JV	151.11	15,241.37	4,771.31	0.00	42.97	20,206.76	51.16%
Industry Total	287.56	28,796.28	10,268.63	2.30	145.50	39,500.27	100.00%
Pct of Industry Total	0.73%	72.90%	26.00%	0.01%	0.37%	100.00%	

Conclusion

While the U.S. insurance industry's exposure to commercial mortgage loans and other forms of CRE equal to about 12% of cash and invested assets, NAIC data shows that these investments are diversified (by type of CRE investment structure) and generally concentrated among a small group of large life insurers. Investment losses to insurer commercial mortgage loans have been low in comparison to losses incurred by such loans originated by other lender sources, such as banks, as well as commercial mortgage loans that collateralize CMBS.

Low interest rates, increasing values, job growth and low delinquency rates drove CRE performance in 2013, and these trends are expected to continue through 2014 and possibly into 2015. Risks to a continuation of positive performance include a possible rise in interest rates against a backdrop of deteriorating underwriting standards, which could result in a liquidity freeze. In addition, vacancy rates remain elevated in most CRE asset classes, and rents are just beginning to increase.

Recognizing volatility in CRE values as a consequence of the 2008 financial crisis, insurers will soon be required to report postal code, property type and maturity date for real estate holdings reported in Schedule A. The same information will be reported in Schedule B and Schedule BA for real estate and mortgage loan holdings. With this additional data, risk can then be assessed across property types and/or ZIP code.

The Capital Markets Bureau will continue monitoring the U.S. insurance industry's CRE exposure and report on these investments as deemed appropriate.

December 12, 2014								
Major Insurer Share Prices			**Change %**			**Prior**		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$58.28	(2.1)	(0.3)	(12.8)	$59.51	$58.47	$66.80
	Ameriprise	127.72	(5.5)	3.4	11.0	135.15	123.58	115.05
	Genworth	7.92	(8.2)	(40.3)	(49.0)	8.63	13.26	15.53
	Lincoln	55.01	(4.2)	2.1	6.6	57.41	53.89	51.62
	MetLife	52.82	(6.3)	(2.0)	(2.0)	56.35	53.91	53.92
	Principal	50.59	(5.4)	(4.5)	2.6	53.47	53.00	49.31
	Protective	69.65	(0.2)	0.2	37.5	69.78	69.49	50.66
	Prudential	86.66	(1.9)	(2.7)	(6.0)	88.34	89.10	92.22
	UNUM	32.04	(4.8)	(7.9)	(8.7)	33.66	34.77	35.08
PC	ACE	$113.32	(2.4)	8.1	9.5	$116.07	$104.84	$103.53
	Axis Capital	49.24	(2.4)	4.0	3.5	50.45	47.33	47.57
	Allstate	67.42	(1.8)	10.0	23.6	68.68	61.29	54.54
	Arch Capital	57.73	(1.2)	5.5	(3.3)	58.43	54.72	59.69
	Cincinnati	50.89	(1.2)	7.5	(2.8)	51.53	47.33	52.37
	Chubb	101.84	(1.8)	11.9	5.4	103.75	90.97	96.63
	Everest Re	168.94	(3.2)	5.5	8.4	174.45	160.09	155.87
	Progressive	26.39	(3.2)	3.5	(3.2)	27.26	25.49	27.27
	Travelers	103.16	(1.9)	10.0	13.9	105.20	93.77	90.54
	WR Berkley	51.68	(2.6)	7.8	19.1	53.05	47.93	43.39
	XL	34.73	(2.9)	4.5	9.1	35.76	33.24	31.84
Other	AON	$95.01	(0.1)	8.6	13.3	$95.10	$87.51	$83.89
	AIG	54.05	(2.3)	(0.2)	5.9	55.33	54.17	51.05
	Assurant	66.19	(3.8)	2.4	(0.3)	68.79	64.63	66.37
	Fidelity National	32.60	(0.7)	17.0	0.5	32.83	27.86	32.45
	Hartford	40.39	(2.9)	7.8	11.5	41.60	37.48	36.23
	Marsh	56.50	(3.0)	7.7	16.8	58.23	52.48	48.36
Health	Aetna	$87.30	(3.7)	7.3	27.3	$90.62	$81.34	$68.59
	Cigna	101.73	(2.8)	11.5	16.3	104.71	91.24	87.48
	Humana	143.60	(0.5)	8.9	39.1	144.32	131.90	103.22
	United	98.76	(1.6)	14.2	31.2	100.33	86.51	75.30
Monoline	Assured	$25.71	(1.0)	14.2	9.0	$25.97	$22.51	$23.59
	MBIA	9.15	(5.5)	(0.9)	(23.4)	9.68	9.23	11.94
	MGIC	8.98	(4.5)	13.7	6.4	9.40	7.90	8.44
	Radian	16.68	(2.7)	16.1	18.1	17.14	14.37	14.12
	XL Capital	34.73	(2.9)	4.5	9.1	35.76	33.24	31.84

December 12, 2014 Major Market Variables		Change %			Prior		
	Close	Week	QTD	YTD	Week	Quarter	Year
DowJones Ind	17,280.83	(3.8)	1.2	4.2	17,958.79	17,071.22	16,576.66
S&P 500	2,002.33	(3.5)	1.2	8.3	2,075.37	1,977.80	1,848.36
S&P Financial	324.06	(2.9)	3.6	10.0	333.79	312.83	294.71
S&P Insurance	298.17	(2.9)	2.3	3.1	307.22	291.43	289.10
US Dollar $		Change %			Prior		
/ Euro	$1.25	1.4	(1.8)	(9.4)	$1.23	$1.27	$1.37
/ Crude Oil bbl	57.51	(12.4)	(39.1)	(41.6)	65.67	94.48	98.42
/ Gold oz	1,222.00	2.7	0.6	1.6	1,190.10	1,215.00	1,202.30
Treasury Ylds %	%	Change bp			%	%	%
1 Year	0.19	0.05	0.09	0.07	0.14	0.10	0.11
10 Year	2.08	(0.22)	(0.40)	(0.95)	2.31	2.48	3.03
30 Year	2.74	(0.23)	(0.43)	(1.23)	2.97	3.17	3.97
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	18.00	60.0	3.6	35.6	11.25	17.37	13.27

December 12, 2014 Major Insurer Bond Yields				Weekly Change					YTD
				Price			Spread over UST		Spread
	Company	Coupon	Maturity	Current	Change	Yield	B.P.	Change	Change
Life	Aflac	8.500%	5/15/2019	$126.03	$0.39	2.27%	87	5	(5)
	Ameriprise	5.300%	3/15/2020	$114.45	$0.70	2.35%	79	4	(3)
	Genworth	6.515%	5/15/2018	$103.31	($1.13)	5.44%	429	52	266
	Lincoln National	8.750%	7/15/2019	$126.29	$0.39	2.58%	112	5	3
	MassMutual	8.875%	6/15/2039	$161.93	$2.84	4.62%	204	10	28
	MetLife	4.750%	2/15/2021	$112.11	$1.19	2.60%	87	(0)	(1)
	New York Life	6.750%	11/15/2039	$137.95	$3.36	4.26%	167	4	39
	Northwestern Mutual	6.063%	3/15/2040	$127.68	$2.69	4.26%	163	4	38
	Pacific Life	9.250%	6/15/2039	$157.45	$1.90	5.11%	254	15	20
	Principal	6.050%	10/15/2036	$124.59	$3.14	4.30%	178	1	40
	Prudential	4.500%	11/15/2020	$109.50	$0.65	2.75%	104	6	26
	TIAA	6.850%	12/15/2039	$134.64	$1.41	4.52%	194	16	61
P&C	ACE INA	5.900%	6/15/2019	$115.32	$0.58	2.29%	86	1	23
	Allstate	7.450%	5/15/2019	$121.67	$0.54	2.26%	85	2	22
	American Financial	9.875%	6/15/2019	$129.14	$0.37	2.91%	137	2	(50)
	Berkshire Hathaway	5.400%	5/15/2018	$112.72	$0.53	1.56%	42	(4)	3
	Travelers	3.900%	11/15/2020	$108.19	$0.91	2.40%	69	1	8
	XL Group	6.250%	5/15/2027	$119.84	$1.99	4.18%	181	(2)	(1)
Other	AON	5.000%	9/15/2020	$112.38	$0.56	2.67%	97	4	7
	AIG	5.850%	1/15/2018	$112.47	$0.33	1.68%	66	(1)	(8)
	Hartford	5.500%	3/15/2020	$113.23	$0.51	2.79%	117	9	12
	Nationwide	9.375%	8/15/2039	$157.91	$2.34	5.19%	260	10	24
Health	Aetna	3.950%	9/15/2020	$106.42	$0.42	2.73%	108	10	21
	CIGNA	5.125%	6/15/2020	$112.88	$0.66	2.60%	95	7	(2)
	United Healthcare	3.875%	10/15/2020	$107.71	$1.18	2.45%	75	(5)	10
	Wellpoint	4.350%	8/15/2020	$109.14	$0.87	2.60%	95	3	(3)