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**.

Investment Strategies and Return on Invested Assets

Market conditions, in particular, the level of interest rates, influence investment decisions. Over the past few years, all investors have been challenged with trying to maximize investment returns in a low interest rate environment. Basic finance teaches that to reap a higher reward (or return) an investor must be willing to take on more risk. Depending on the type of investment, risk is in the form of greater market volatility, greater risk of loss, or both.

Two common investment strategies are total-return and buy-and-hold, neither of which is appropriate for all investor types. Total-return investing plays on timing the market (i.e., market values) and involves active trading, whereas buy-and-hold investing is not concerned about mark-to-market; rather, investments tend to be made for the long-run, and trading is passive or minimal. Passive managers focus on the stability of the income over time, although returns from buy-and-hold investing tend to be lower than in a total return strategy. One factor to be considered when determining investment strategy is time horizon; that is, whether the investor is seeking a short-term gain or long-term income.

With respect to the U.S. insurance industry, life insurance companies account for the majority of the industry's investment activity. Over the past few years, life insurance company investments comprised more than 60% of the industry's total invested assets, with property/casualty (P/C) companies comprising another 25% to 30%. Given the nature of life insurance companies' asset-liability matching — that is, investing long-term to match long-dated and generally predictable liabilities — they are generally buy-and-hold investors, with the goal of generating predictable and stable income in the long run, and having sufficient funds available to pay claims when due. A large portion of life insurance companies' investment portfolios, therefore, tend to be in relatively conservative, high credit quality investments. Notwithstanding, especially given the low interest rate environment, life insurance companies, like the other insurer types, invest in a small component of riskier assets for the yield pick-up.

Total-Return Investing

Timing the market, or total-return investing, is an active trading strategy where the investor is generally seeking to maximize the value of an investment portfolio via short-term gains. The return on investment is a combination of income on the investment (i.e., interest, dividends and distributions) plus capital appreciation (i.e., the change in the market price of the asset from purchase to sale). Returns with this strategy can be volatile because they depend on the direction of interest rates and market conditions. Total-return investors tend to buy investments when prices (i.e., market values) are low and sell when prices rise (rather than hold to maturity), thereby achieving an additional positive return, also known as capital appreciation (gain). With total-return investing, it is possible, then, for an investor to receive more than the yield to maturity on a particular asset upon its sale (rather than wait to maturity). While total-return investing is generally uncommon for insurance companies as investors because of the nature of their liabilities, it is possible that a portion of their investment portfolio is managed via total return for yield pick-up, given the current low interest rate environment. Equities are often invested via a total-return strategy by ''buying low and selling high.'' In the appropriate venue, asset managers may invest in bonds via a total-return strategy by buying undervalued bonds and

holding them until they increase in price, and then selling them before maturity for a profit, or gain. In a total-return strategy, assets are more commonly reported at their mark-to-market price.

Buy-and-Hold Investing

Holding investments to maturity means that the investor will receive the yield promised at maturity, regardless of where interest rates are at that time. Rather than achieving short-term gains, holding to maturity is a strategy used when maximizing income is the goal. That is, buy-and-hold investors prefer the stability and predictability of income over time, albeit typically lower than in a successful total-return strategy. Under certain circumstances, buy-and-hold investors may *not* hold an investment to maturity. This could be the case where an asset represents a credit risk and the investor seeks to minimize losses. Another scenario where a buy-and-hold investor might sell an asset prior to maturity is when there is credit improvement and a gain can be achieved. Lastly, buy-and-hold investors may enter into a discretionary trade where they effectively replace an asset with one that is deemed to be of better value. However, these investors will need to address replacing the income stream from the asset sold.

Government bonds, investment grade corporate bonds and municipal bonds are typical buy-and-hold investments. Coincidentally, corporate and municipal bonds account for the U.S. insurance industry's two largest bond types, according to a May 6, 2014, Capital Markets Bureau Special Report titled, "Year-end 2013 Insurance Industry Investment Portfolio Asset Mixes." Over the life of the bonds, investors usually receive interest payments biannually and principal (face value of the bond) at maturity. Changes in market value and interest rates are generally ignored, as they have no effect on returns unless the bond is sold prior to maturity. Insurance companies typically account for the bulk of bonds on their balance sheets using amortized cost; that is, the cost of the asset is gradually written off as the bond amortizes or depreciates until it matures.

According to Pacific Investment Management Co. (PIMCO), bonds are the largest securities market in the world and are a source of "limitless investment options" with attractive returns. Also according to PIMCO, government bonds and corporate bonds comprise the largest sectors of the overall bond market. A bond's return is the same as its yield if held to maturity. The price of a bond moves in the opposite direction of its yield. In a market with increasing interest rates, bond returns may increase in the long run because funds from maturing bonds are reinvested in bonds with higher yields. The converse is also true: in a decreasing interest rate environment, proceeds from maturing bonds are invested in bonds with lower yields, thereby reducing returns in the long run. Note, too, that when a bond is bought at a premium (i.e., the coupon is higher than the prevailing interest rates), the amount the investor receives at maturity will be less than the price paid for the bond. The converse is also true; that is, if a bond is bought at a discount, the amount the investor receives at maturity will be more than what was paid.

A higher yield to maturity reflects the market's perception of increased risk. Higher yields are demanded by investors to compensate for risk, such as in bonds with below investment grade ratings (which have an increased risk of default), compared to lower yields on bonds that are investment grade quality. Longer-term bonds also tend to carry higher yields because, with a longer time to maturity, they are more susceptible to changes in interest rates, as well as impacts from other market or economic events that could negatively affect their return. In addition, returns sought by investors are partly driven by relative value analysis. For example, investors expect return on bonds to be lower than return on stocks because the former are generally less risky, particularly in a volatile market.

Returns on Specific Bond Types, Equities and Alternative Investments

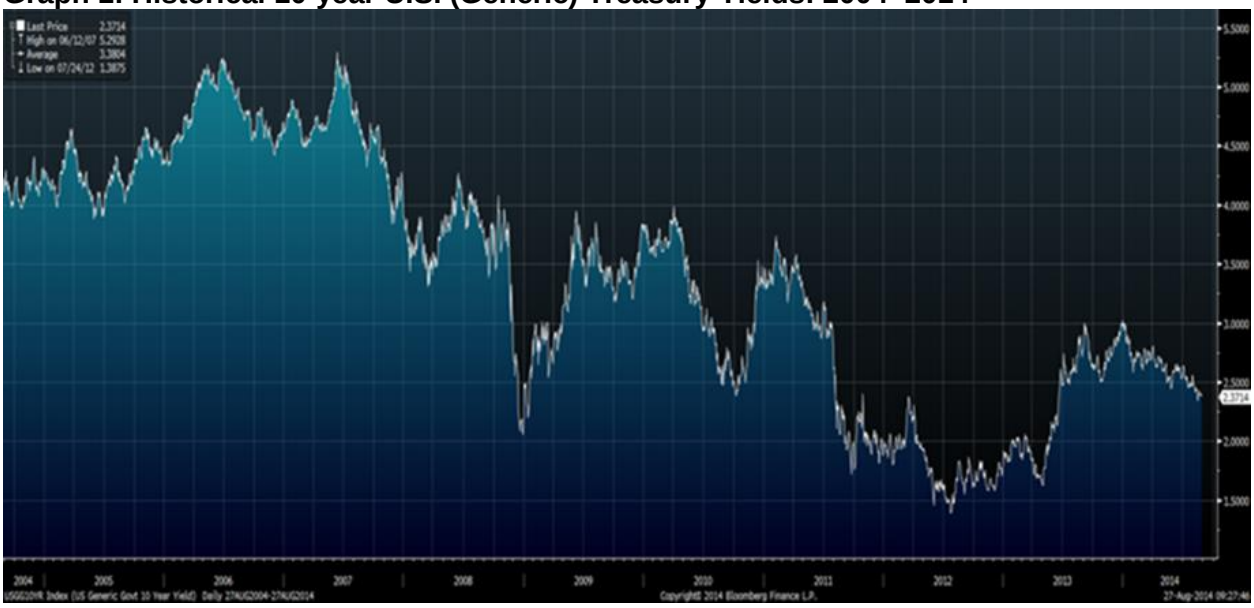
Government Bonds

Government bonds include sovereign debt that is backed by a central government. In the U.S., the "safest" investments are in U.S. government bonds, which include U.S. Treasury bonds, bills and notes that pay a fixed coupon semiannually. Returns on U.S. government bonds are

backed by the full faith and credit of the U.S. government. Treasury bonds are issued with maturities of 10 years to 30 years; Treasury notes mature in two, three, five, seven or 10 years; and Treasury bills (or T-bills) are short-term securities that mature in one year or less. The U.S. insurance industry's investment portfolio asset mix included approximately $234 billion in book/adjusted carrying value (BACV) of U.S. government bonds as of year-end 2013.

The 10-year Treasury note rate is its **yield**, meaning the note rate/yield is the rate of return an investor receives for investing in the Treasury. It is also the benchmark rate that guides almost all other interest rates. Because they are deemed risk-free, returns on U.S. Treasuries are lower than other bond types that do not have government guarantees. Returns (yields) on the generic 10-year U.S. Treasury bond have ranged between 1.39% and 5.3% from year-end 2004 to year-end 2013, reaching a high of 5.29% in June 2007. As of the end of August 2014, the 10-year U.S. Treasury yield was 2.37%.

Graph 1: Historical 10-year U.S. (Generic) Treasury Yields: 2004–2014

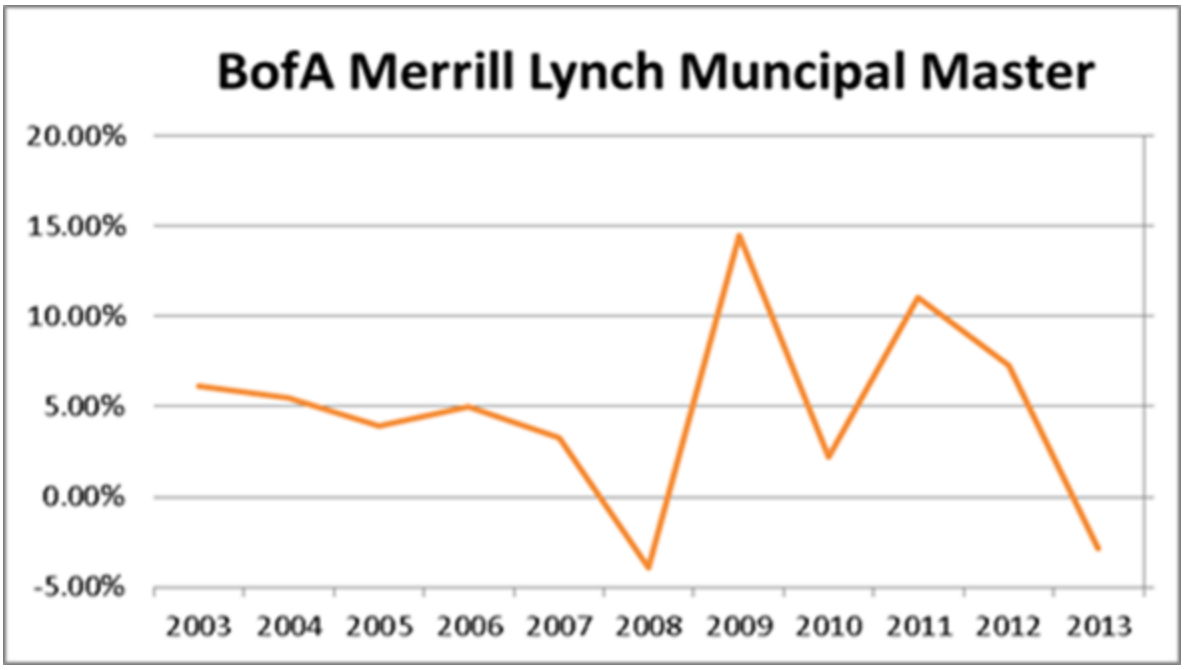


Government bonds also include municipal bonds; that is, those that are issued by or on behalf of U.S. state and local governments or their agencies or authorities. Municipal bonds have been the second-largest bond investment category for life insurers and the largest for P/C insurers. The Bond Buyer Municipal Bond Index is composed of 40 actively traded general obligation and revenue issues rated A or better. Graph 2 shows the yield to maturity based on this aforementioned index for the 10-year period ending August 2014. Note the spike in yield during the recent financial crisis in 2008, as investors demanded more return for the risk as certain municipalities during that time experienced financial hardship. For the 2004 to 2014 time period, the index reached a high on Oct. 15, 2008, at 6.78%, and a low on Dec. 3, 2012, at 3.89%. As of Aug. 26, 2014, the yield was 4.44%.

Graph 2: Bond Buyer Municipal Bond Index: 2004–2014

The BofA Merrill Lynch Municipal Master Index measures the total return on tax-exempt investment grade debt that is publicly issued by U.S. states and territories and their political subdivisions (including interest income). As Graph 3 shows, for the 10-year period ending August 2014, total returns on municipal bonds experienced a negative return during the financial crisis , erasing gains from prior years. Negative total returns occur when bond prices drop to a degree that exceeds the coupon payment. After a recovery of 14.45% in 2009, the index has fluctuated due, in part, to financial challenges occurring in many municipalities across the U.S. (such as in Detroit), and it is also influenced by other economic news and events and Federal Reserve decisions. Total return for municipal bonds once again dropped below zero in 2013. Municipal bonds are generally long-term investments, so maintaining a long-term view of these bonds relative to yield would be more meaningful than focusing on a particular year's total return.

Graph 3

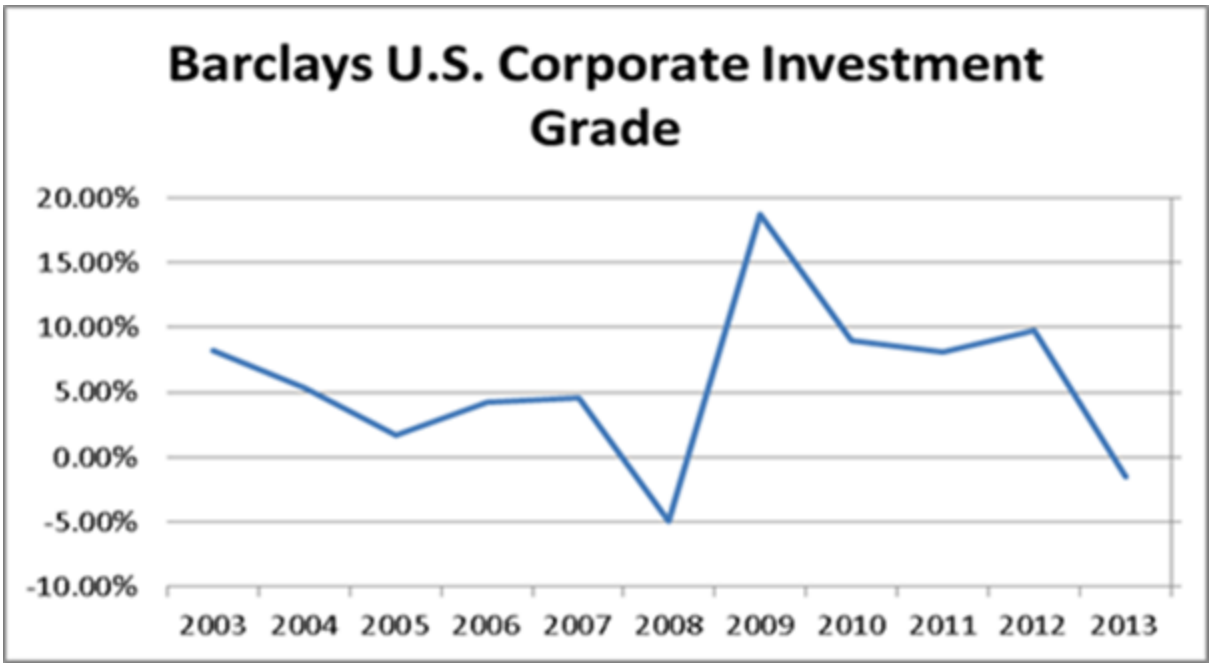


Corporate Bonds

The aforementioned NAIC Capital Markets Bureau Special Report also noted that corporate bonds are the largest bond type held by insurers, at 53% of total bond exposure as of year-end 2013, the majority of which were investment grade. Returns on corporate bonds are generally higher than government bonds with comparable maturities. Returns on investment grade corporate bonds are generally lower than for non-investment grade bonds, given their higher credit quality, and, therefore, lesser credit risk.

The total return on corporate bonds reflects the coupon and changes in the price of the bond, which is influenced by changes in interest rates and the market's view of the issuer's credit quality. Because corporate bonds have credit risk, they have higher yields than government bonds with similar maturities. The difference between the yield to maturity on the corporate bond and government bond is known as the "credit spread."

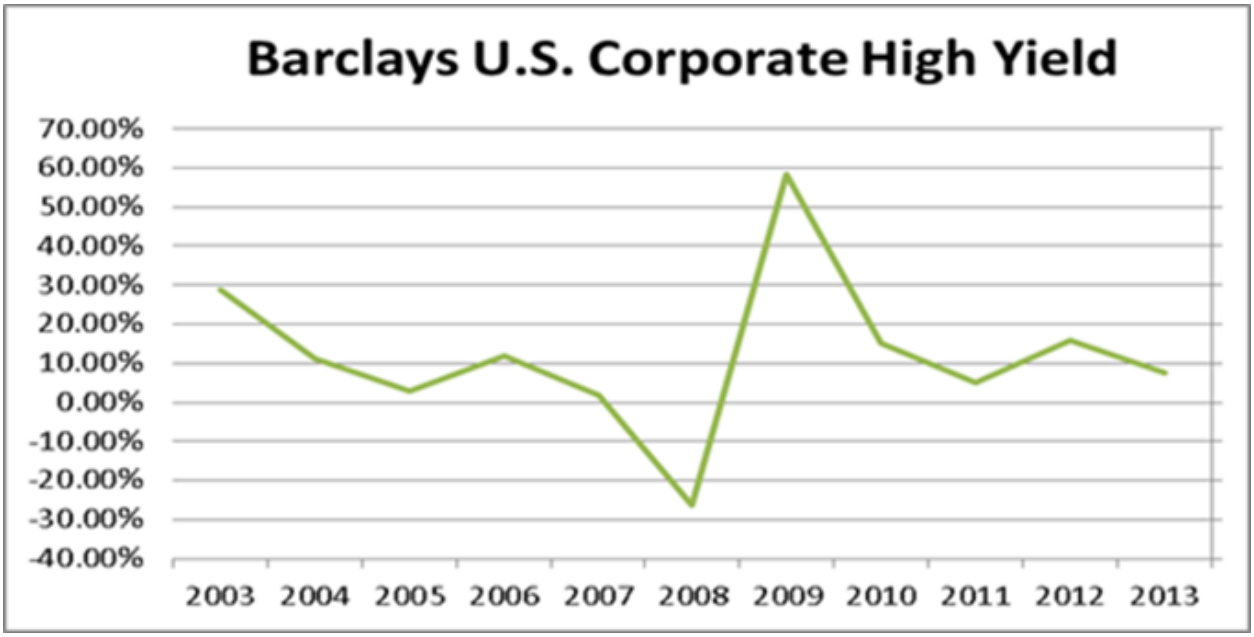
Graph 4



The Barclays U.S. Corporate Investment Grade Index tracks the performance of U.S. investment grade rated corporate debt. As shown in Graph 4, total returns ranged between approximately 2% and 8% for investment grade corporate bonds from 2003 to 2007 and spiked downward into negative territory (-4.94%) during the financial crisis. Post-crisis, as the market further recovered and investors were comfortable taking on more risk, investors sought investments in high-quality credits, and returns increased to almost 19% (2009). Because of the Federal Reserve's decision to keep interest rates low, investors began to seek higher yielding investments. Returns decreased once again to -1.5% in 2013 due, in part, to the Federal Reserve announcing it would be tapering its bond-buying program (i.e., reducing economic stimulus).

From the end of 2013 through the end of August 2014, investment grade corporate bonds have since bounced back, returning 6.5%, according to the BofA Merrill Lynch Global Corporate Index. This is due to diminishing investor concern over rising interest rates as the Federal Reserve recently announced that the bond-buying program will be coming to an end.

Graph 5



The Barclays U.S. Corporate High Yield Index tracks the performance of U.S. below investment grade rated corporate debt. Similar to investment grade bonds, total returns were negative in 2008 because of the financial crisis, and because bond prices decreased to a point that surpassed coupon payments. Returns then spiked upward to 58.2% as the U.S economy emerged from recession. Returns on U.S. corporate high-yield bonds have since leveled, and were 7.4% as of year-end 2013. As high-yield bonds are sensitive to credit risk, their total return in 2013 exceeded that of other bonds, such as investment grade corporates and municipals, due, in part, to investor appetite for risk, as they sought higher yield in a persistently low interest rate environment. Investors derived comfort with such risk because of improving balance sheets of companies that issued high-yield debt (post-financial crisis), as well as the benign credit environment, which translated into low default rates. Interestingly, according to data from Barclays, in recent months, investment grade corporate bonds (high credit quality) has demonstrated higher returns than riskier, below investment grade corporate bonds (lower credit quality) for the first time since 2010 and the second time since 2006. This is due to a rally in U.S. Treasury prices at least through the end of May 2014. Increasing prices on government bonds drives down their yields, encouraging investors to seek higher-yielding investments, such as below investment grade debt. As investors increase allocations to the riskier debt, their prices increase, making investment grade bonds more attractive (in terms of price), which, in turn, causes their returns to rise higher than below investment grade bonds. Bond returns for the remainder of the year are expected to be influenced by the Federal Reserve's monetary policy decisions.

Note that the return on these bonds may differ from their yield. As defined by the Securities Industry and Financial Markets Association (SIFMA), a bond's yield changes to reflect price movement caused by changing interest rates. Current yield is the annual return on the dollar amount paid for the bond, regardless of maturity, whereas yield to maturity is the total return an investor receives on a bond if it is held to maturity. According to SIFMA, yield to maturity includes "all your interest plus any capital gain you will realize (if you purchase the bond below par) or minus any capital loss you will suffer (if you purchase the bond above par)."

Many investors expected U.S. economic growth to accelerate at the beginning of the 2014, which would have increased gains on high-yield bonds and other risky (based on credit quality) investments. However, economic growth in the U.S. has been sluggish, and economic growth

outside the U.S., such as in the Eurozone and China, has also been weak. As a result, returns on high credit-quality corporate bonds have benefited.

Table 1

Rating And Industry Total Bond Returns Over Time (%)

Rating category/class	Trailing six months	Trailing 12 months	2013
BBB	6.40	5.60	(0.57)
CCC/C	6.25	9.56	13.64
A	6.24	4.55	(3.00)
Investment grade	6.21	4.99	(1.73)
Speculative grade	5.22	7.29	7.24
BB	4.99	6.03	4.15
B	4.90	7.85	8.73
AAA/AA	4.75	3.22	(3.36)
Industry			
Telecom	8.00	6.32	(1.09)
Utility	6.91	5.18	(2.14)
Trans	6.73	5.70	0.02
FP and BM	6.67	7.64	4.21
Insurance	6.44	5.95	0.66
Auto	6.28	7.46	4.28
Oil and gas	6.15	6.13	0.94
M and E	6.08	7.56	4.92
A and D	5.88	5.39	(1.14)
MM and S	5.85	7.05	4.43
Consumer	5.55	5.01	(0.64)
CP and ES	5.49	5.47	1.56
Cap goods	5.39	5.28	(0.15)
High tech	5.35	5.63	1.83
Retail/rest	5.32	4.81	1.65
Health	5.22	4.93	0.20
Homebuilders/RE	4.75	4.72	1.52
FI	4.74	5.40	2.08
Bank and brokers	4.56	5.33	1.91

Telecom--Telecommunications. Trans--Transportation. FP and BM--Forest products and building materials. Auto--Automotive. Oil and gas--Oil and gas exploration and production. M and E--Media and entertainment. A and D--Aerospace and defense. MM and S--Metal, mining, and steel. Consumer--Consumer products. CP and ES--Chemicals, packaging, and environmental sciences. Cap goods--Capital goods. High tech--High technology. Retail-rest--Retail and restaurants. Health--Health care. Homebuilders/RE--Homebuilders and real estate. FI--Financial institutions. Source: Standard & Poor's Global Fixed Income Research.

Source: Standard & Poor's.

As shown in Table 1, S&P's research indicates that returns were positive across all credit rating categories; for example, corporate bonds rated CCC returned 6.25% in the six months ended May 31, 2014, while AAA/AA-rated bonds returned 4.75%, a difference of 150 basis points. The table also shows total bond returns by industry, with homebuilders and real estate having the lowest returns, at 4.7%. However, overall, the average return across all industries for the six months ended May 2014 was strong, at 5.9%.

Equities

When the stock market rallies, returns increase due primarily from appreciation in value, as dividend yields are generally not significant. In turn, investors sell out of their bond holdings to

buy stocks. Stocks are a volatile investment and, as such, carry a high risk-reward premium. When investing in stocks, typical investors seek a long-term gain rather than stability of income. Therefore, stocks tend to be total-return investments rather than buy-and-hold investments. In 2013, the Standard & Poor's 500 Index (S&P 500) returned 32% to its investors — its best performance since 1997 due, in part, to a boost in consumer confidence and a rebound in the U.S. housing market. The year-to-date return on equities so far in 2014 (through July 24), according to the S&P 500, was 8.27%. The five-year total return (including dividends) as of June 30, 2014, was 136.98%, and the 10-year total return was 111.59%. In comparison, the five-year total return for investment grade and high-yield bonds was 7.17% and 12.34%, respectively; and the 10-year return was 5.80% and 8.76% for high-yield corporate bonds, respectively, according to the Barclays Capital U.S. Corporate Investment Grade Index and the Barclays Capital U.S. Corporate High-Yield Bond Index (as of July 2014).

The S&P 500 achieved all-time record highs in May 2014 since the U.S. national unemployment rate dipped to 6.3%, the lowest level since September 2008. While June 2014, in general, exhibited slow economic growth, the S&P 500 posted its fifth consecutive monthly gain and achieved eight new closing highs. Stocks (mostly common stocks) were 12% of the U.S. insurance industry's total assets, with P/C companies accounting for the majority.

Graph 5: Standard & Poor's 500 Total Return Index: 2004–2014

Returns on Alternative Investments: Private Equity, Hedge Funds and Real Estate

As of year-end 2013, insurer investments in private equity and hedge funds (as indicated in Schedule BA) were $287 billion, or 5% of total invested assets. While insurers may have increased the BACV of private equity year over year from 2012 to 2013, the private equity exposure as a percentage of total invested assets did not change.

Institutional investors, including insurers, have sought higher returns by increasing investments in hedge funds, private equity and real estate over the past five years, according to a study by BlackRock. This is particularly true for life insurance companies, as the nature of these investments represents a good match for the long-term liabilities. One life insurance company had about $55 billion invested in real estate assets as of year-end 2013, and is one of the largest institutional investors in the property market. For insurers, investing in private equity has not been a core strategy, as its illiquidity does not foster a fair asset-liability match for most

insurers. Rather, it has been a yield-enhancement strategy to make up for the lack of income insurers receive on their fixed-income investments in the current low interest rate environment. Private equity can include investments in real estate projects, infrastructure, mezzanine debt and venture capital, among others, according to research done by Insurance Europe and consultant Oliver Wyman.

According to Cambridge Associates LLC, in 2013, U.S. private equity experienced its best annual returns since 2006. Cambridge Associates' U.S. Private Equity Index, which includes data from 1,125 funds, increased 20.6% during 2013 due, in part, to the index's investment in financial services companies, one of its largest sectors.

Hedge funds returned 7.4% in 2013, according to the Bloomberg Hedge Funds Aggregate Index, which is weighted by market capitalization and tracks 2,257 funds. Hedge fund returns last exceeded stock returns in 2008 when Bloomberg data showed a 19% loss compared to a 37% decline in the S&P 500. Hedge funds last outperformed the S&P 500 in 1993, when the Bloomberg Hedge Funds Aggregate Index returned 31% and the S&P 500 returned only 10%. For the first half of 2014, hedge funds have returned 3.1%, according to research firm eVestment, compared to 7.1% for the S&P 500.

Returns on real estate investments depend on the type of investment. For example, returns on single family residences are relatively low compared to real estate investment trusts (REITs), which are similar to mutual funds except they hold commercial real estate properties instead of stock shares. REITs had an annualized return of 3.21% in 2013, according to the National Council of Real Estate Investment Trusts Index, which is a market-cap-weighted index of all REITS actively traded on the New York Stock Exchange and the American Stock Exchange. In addition, the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (i.e., a quarterly benchmark for commercial real estate properties owned by large U.S. institutions) had a total return of 2.53% for the fourth quarter of 2013.

U.S. Insurance Industry: Gross Investment Yield

Because the insurance industry generally follows a buy-and-hold investment philosophy, the concept of total return does not have significant meaning relative to the return on its investments. Insurers report the gross investment yield for certain asset classes within company financial profile reports. Gross investment yield is not the same as a return on an investment. Unlike total return, gross investment yield does not include gains or losses from marking an asset to market. Table 2 shows the average gross investment yield for several large life companies across five asset types.

Table 2: Average Gross Investment Yield (%): 2009–2013

	2013	2012	2011	2010	2009
Bonds	5.07	5.08	5.37	5.45	6.07
Equities	1.88	1.28	2.62	2.90	2.18
Real Estate	14.10	13.07	15.90	16.14	17.60
Mortgages	5.68	5.80	5.80	5.85	6.53
Schedule BA Assets	6.83	6.48	7.30	6.53	5.62

Bonds in Table 2 include all bond types invested by insurers (i.e., those reported in Schedule D), regardless of credit quality (i.e., it includes investment grade bonds and below investment grade bonds). Schedule BA assets include "other long-term assets" that are not reported in Schedule D, such as private equity and hedge funds. Real estate investments were only 1% of the industry's total cash and invested assets as of year-end 2013, and mortgages were 7%. While not a core focus of insurer investments, as Table 2 shows, real estate, mortgage and

Schedule BA investments have provided a necessary yield pick-up in the current low interest rate environment.

In summary, returns on investments vary not only by asset type and market conditions, but also because of investment strategy. Investors can choose to time the market in a total-return investment strategy, where short-term gains are typically preferred over long-term income, or they can manage their investments via a buy-and-hold strategy, where long-term, stable and predictable income is the goal. Neither strategy is optimal for every investor type. Because of asset-liability matching, insurers — particularly life insurers — often follow a buy-and-hold investment strategy. And, in the current low interest rate environment, investing for the long term also eliminates the risk of reinvesting proceeds in assets at the prevailing low interest rates, which benefits an insurer's investment portfolio income.

The NAIC Capital Markets Bureau will continue to monitor market trends that may influence returns on investments and report as deemed appropriate.

September 8, 2014 Major Insurer Share Prices			Change %			Prior		
		Close	Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	$61.05	(0.3)	(3.2)	(8.6)	$61.24	$63.04	$66.80
	Ameriprise	126.31	0.4	14.8	9.8	125.76	110.07	115.05
	Genworth	13.29	(6.3)	(25.0)	(14.4)	14.19	17.73	15.53
	Lincoln	54.29	(1.4)	7.1	5.2	55.04	50.67	51.62
	MetLife	54.84	0.2	3.9	1.7	54.74	52.80	53.92
	Principal	54.21	(0.1)	17.9	9.9	54.29	45.99	49.31
	Protective	69.53	0.2	32.2	37.2	69.40	52.59	50.66
	Prudential	89.14	(0.6)	5.3	(3.3)	89.70	84.65	92.22
	UNUM	35.66	(1.7)	1.0	1.7	36.27	35.31	35.08
PC	ACE	$106.14	(0.2)	7.1	2.5	$106.33	$99.06	$103.53
	Axis Capital	48.09	(0.3)	4.9	1.1	48.22	45.85	47.57
	Allstate	61.39	(0.2)	8.5	12.6	61.49	56.58	54.54
	Arch Capital	55.03	(1.0)	(4.4)	(7.8)	55.58	57.54	59.69
	Cincinnati	48.49	0.8	(0.3)	(7.4)	48.09	48.66	52.37
	Chubb	91.71	(0.3)	2.7	(5.1)	91.95	89.30	96.63
	Everest Re	163.75	(0.1)	7.0	5.1	163.84	153.05	155.87
	Progressive	24.96	(0.2)	3.1	(8.5)	25.02	24.22	27.27
	Travelers	93.27	(1.5)	9.6	3.0	94.71	85.10	90.54
	WR Berkley	48.28	(0.1)	16.0	11.3	48.35	41.62	43.39
	XL	33.97	(0.6)	8.7	6.7	34.18	31.25	31.84
Other	AON	$87.48	0.4	3.8	4.3	$87.16	$84.28	$83.89
	AIG	55.32	(1.3)	10.6	8.4	56.06	50.01	51.05
	Assurant	66.66	(0.1)	2.6	0.4	66.75	64.96	66.37
	Fidelity National	27.76	(1.9)	(11.7)	(14.5)	28.31	31.44	32.45
	Hartford	36.84	(0.6)	4.5	1.7	37.05	35.27	36.23
	Marsh	53.00	(0.2)	7.5	9.6	53.10	49.30	48.36
Health	Aetna	$83.95	2.2	12.0	22.4	$82.13	$74.97	$68.59
	Cigna	96.01	1.5	14.7	9.8	94.60	83.73	87.48
	Humana	129.55	0.6	14.9	25.5	128.74	112.72	103.22
	United	87.91	1.4	7.2	16.7	86.68	81.99	75.30
	WellPoint	118.13	1.4	18.7	27.9	116.51	99.55	92.39
Monoline	Assured	$24.02	(0.5)	(5.1)	1.8	$24.15	$25.32	$23.59
	MBIA	9.92	(4.9)	(29.1)	(16.9)	10.43	13.99	11.94
	MGIC	8.45	0.2	(0.8)	0.1	8.43	8.52	8.44
	Radian	14.87	2.1	(1.1)	5.3	14.56	15.03	14.12
	XL Capital	33.97	(0.6)	8.7	6.7	34.18	31.25	31.84

September 8, 2014 Major Market Variables	Close	Change %			Prior		
		Week	QTD	YTD	Week	Quarter	Year
Dow Jones Ind	17,111.42	0.1	4.0	3.2	17,098.45	16,457.66	16,576.66
S&P 500	2,001.54	(0.1)	6.9	8.3	2,003.37	1,872.34	1,848.36
S&P Financial	315.34	0.4	4.7	7.0	313.99	301.06	294.71
S&P Insurance	294.88	(0.6)	5.3	2.0	296.73	280.10	289.10
US Dollar $		Change %			Prior		
/ Euro	$1.29	(1.8)	(6.3)	(6.1)	$1.31	$1.38	$1.37
/ Crude Oil bbl	92.98	(3.0)	(8.5)	(5.5)	95.90	101.58	98.42
/ Gold oz	1,254.70	(2.5)	(2.2)	4.4	1,287.30	1,283.40	1,202.30
Treasury Ylds %	%	Change bp			%	%	%
1 Year	0.09	0.00	(0.02)	(0.02)	0.09	0.11	0.11
10 Year	2.47	0.13	(0.25)	(0.56)	2.34	2.72	3.03
30 Year	3.22	0.15	(0.34)	(0.75)	3.08	3.56	3.97
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	13.43	(5.0)	(22.7)	1.2	14.13	17.37	13.27

September 8, 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	$127.73	($0.56)	2.22%	58	(1)	(34)
	Ameriprise	5.300%	3/15/2020	$114.10	($0.52)	2.54%	65	(2)	(16)
	Genworth	6.515%	5/15/2018	$114.09	($0.49)	2.50%	118	2	(45)
	Lincoln National	8.750%	7/15/2019	$128.24	($0.51)	2.48%	77	(0)	(31)
	MassMutual	8.875%	6/15/2039	$156.97	($3.27)	4.88%	177	3	1
	MetLife	4.750%	2/15/2021	$111.86	($0.90)	2.72%	66	3	(22)
	New York Life	6.750%	11/15/2039	$134.06	($2.58)	4.48%	143	(1)	15
	Northwestern Mutual	6.063%	3/15/2040	$124.95	($1.23)	4.42%	132	(9)	8
	Pacific Life	9.250%	6/15/2039	$155.56	($2.32)	5.22%	214	(3)	(20)
	Principal	6.050%	10/15/2036	$123.71	($2.25)	4.37%	138	(1)	1
	Prudential	4.500%	11/15/2020	$109.69	($0.41)	2.78%	78	(2)	(0)
	TIAA	6.850%	12/15/2039	$133.12	($3.39)	4.62%	155	4	22
P&C	ACE INA	5.900%	6/15/2019	$116.04	($0.54)	2.32%	65	4	2
	Allstate	7.450%	5/15/2019	$123.19	($0.33)	2.21%	55	(4)	(8)
	American Financial	9.875%	6/15/2019	$129.72	($0.66)	3.11%	137	1	(50)
	Berkshire Hathaway	5.400%	5/15/2018	$113.06	($0.52)	1.72%	44	6	5
	Travelers	3.900%	11/15/2020	$107.42	($0.59)	2.58%	58	(1)	(3)
	XL Group	6.250%	5/15/2027	$118.62	($1.23)	4.33%	169	(2)	(13)
Other	AON	5.000%	9/15/2020	$111.96	($0.56)	2.84%	86	(1)	(4)
	AIG	5.850%	1/15/2018	$113.17	($0.34)	1.78%	62	1	(12)
	Hartford	5.500%	3/15/2020	$114.17	($0.36)	2.73%	86	(3)	(20)
	Marsh	9.250%	4/15/2019	$130.92	$1.48	2.56%	245	154	120
	Nationwide	9.375%	8/15/2039	$154.46	($4.87)	5.38%	233	13	(3)
Health	Aetna	3.950%	9/15/2020	$107.45	($0.47)	2.59%	63	(2)	(24)
	CIGNA	5.125%	6/15/2020	$112.53	($0.57)	2.76%	83	(0)	(14)
	United Healthcare	3.875%	10/15/2020	$107.25	($0.55)	2.58%	59	0	(6)
	Wellpoint	4.350%	8/15/2020	$108.66	($0.47)	2.76%	80	(1)	(19)

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

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