NAIC & The Center for Insurance Policy and Research — 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**

Update on Municipal Bonds Held by the U.S. Insurance Industry

The Capital Markets Bureau published a special report on municipal bonds in January 2012 titled, "Recent Municipal Bond Capital Market Developments and Noteworthy 2010 Municipal Bond Allocation Changes by the U.S. Insurance Industry." Since then, the municipal bond market has continued to evolve, although there have not been any significant trend changes. This special report provides an update on U.S. insurer exposure to municipal bonds, as well as recent investment and regulatory trends.

Property/casualty (P/C) insurers have historically been among the largest investors of municipal debt, not only among U.S. insurers, but also among all municipal bond investors, as shown in the table below.

Top Municipal Bond Investors' Holdings

($bil)	2008	2009	2010	2011	2012	2013 Q1	% of 2013 Q1 Total
Household/retail investors	$1,722.0	$1,829.1	$1,873.3	$1,807.7	$1,656.5	$1,657.7	44.5
Mutual funds	389.4	478.8	525.5	541.2	627.4	644.4	17.3
U.S.-chartered depository institutions	221.9	224.3	254.6	297.3	363.1	374.2	10.0
Property-casualty insurers	**381.9**	**369.4**	**348.4**	**331.0**	**327.6**	**326.8**	**8.8**
Money market mutual funds	509.5	440.1	386.7	357.3	336.7	312.6	8.4
Life insurance companies	**47.1**	**73.1**	**112.3**	**121.6**	**131.2**	**131.9**	**3.5**
Closed-end funds	77.9	81.2	81.6	83.1	86.3	86.9	2.3
Remainder	167.6	176.5	189.5	180.1	185.7	194.2	5.2
Total	**$3,517.2**	**$3,672.5**	**$3,772.1**	**$3,719.4**	**$3,714.4**	**$3,728.6**	**100.0**

Source: Federal Reserve Statistical Release, June 6, 2013.

P/C companies' interest in municipal bonds has been principally driven by the tax benefits of income derived from this asset type. While life insurers are not excluded from the tax benefits of municipal bonds, they generally have lower taxable income and less of a need to protect interest income. Life companies have more than tripled their investment in municipal bonds from 2008 to 2012, as shown in the table below, driven by increased purchases of taxable municipal bonds.

U.S. Insurance Industry Municipal Bond Exposure

($bil)	P/C	Life	Health	Fraternal	Title	Total
2008	$350.0	$36.3	$11.3	$0.7	$1.1	**$399.5**
2009	$370.1	$67.2	$12.9	$2.0	$1.5	**$453.7**
2010	$354.8	$107.7	$14.4	$4.5	$1.6	**$483.0**
2011	$333.2	$117.2	$15.8	$5.4	$1.6	**$473.1**
2012	$329.2	$125.0	$16.2	$6.3	$1.5	**$478.2**

In addition to holding two-thirds of all U.S. insurance industry municipal bonds at year-end 2012, P/C companies have maintained the largest commitment to municipal bonds in terms of their percentage of total cash and invested assets, as shown in the table below. Overall, the U.S. insurance industry has consistently maintained approximately 9% of total cash and invested assets in municipal bonds for the five-year time period analyzed.

Municipal Bonds: Percentage of Total Cash and Invested Assets

Percent of Total	*P / C*	*Life*	*Health*	*Fraternal*	*Title*	*Total*
2008	25.4	1.2	9.6	0.8	15.0	**8.6**
2009	25.6	2.1	10.1	2.2	19.4	**9.4**
2010	23.5	3.3	10.2	4.6	21.3	**9.6**
2011	22.0	3.4	10.3	5.1	20.4	**9.1**
2012	21.0	3.6	10.0	5.6	18.6	**9.0**

As shown in the table below, an overwhelming majority of the U.S. insurance industry's municipal bond investments are investment grade — and within the highest credit quality category — as evidenced by their NAIC designations. Some of the high credit quality ratings may be attributable to insurance provided by monoline insurance companies on (typically) the senior-most municipal debt tranche. The monoline "wrap" effectively pays debt service (principal and interest) to the bondholders in the event the municipality is unable to do so.

Percent of Total	*P / C*	*Life*	*Health*	*Fraternal*	*Title*	*Total*
NAIC-1	96.4	95.3	95.6	95.2	98.3	**96.1**
NAIC-2	3.3	4.0	3.9	4.3	1.7	**3.5**
NAIC-3 to NAIC-6	0.3	0.7	0.5	0.5	0.0	**0.4**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Municipal Bond Types

For the most part, municipal bonds can be categorized into two types: revenue bonds and general obligations. *Revenue bonds* are backed by revenues from a specific project or resource, such as bridge tolls, highway tolls or property lease fees. Most revenue bonds are "non-recourse," meaning that if income from the specific project or resource fails to meet debt obligations, bondholders cannot seek repayment by the municipality or state. Also, certain revenue bonds are not eligible for tax exemption due to limiting provisions in the U.S. tax code relating to "public purpose" or "public use" tests. *General obligation bonds* may be issued by states, counties, cities and even school districts, and are backed by the "full faith and credit" of the issuer, which has the power to raise taxes (generally real estate or personal property taxes for a local municipality, sales or income taxes for a state government) to repay bondholders. Therefore, general obligation bonds are seen as offering investors greater investment safety than revenue bonds. On the other hand, general obligation bonds are subject to annual budgetary and appropriations considerations.

The following table breaks down the industry's holdings between general obligation and revenue bonds at year-end 2012. Note that revenue bonds comprise the majority of municipal bond holdings for each of the five industry types, and 58% of municipal bonds held by P/C companies were revenue bonds.

General Obligations vs. Revenue Bonds (as of Year-End 2012)

($bil)	*P / C*	*Life*	*Health*	*Fraternal*	*Title*	*Total*
General Obligation Bonds	$139.2	$38.0	$5.0	$2.8	$0.6	**$185.6**
Revenue Bonds	190.0	87.0	11.2	3.5	0.9	**292.6**
Total	**$329.2**	**$125.0**	**$16.2**	**$6.3**	**$1.5**	**$478.2**
General Obligation Percentage	42.3	30.4	30.9	44.5	38.3	38.8
Revenue Percentage	57.7	69.6	69.1	55.5	61.7	61.2

Interestingly, according to the Federal Reserve Statistical Release dated June 6, 2013, as of year-end 2012, almost 80% (or $2.9 trillion) of all municipal bonds outstanding were general obligation bonds, whereas revenue bonds comprised the remainder ($749 billion).

The five largest municipal bond purposes as of year-end 2012, with respect to the U.S. insurance industry exposures, are listed in the table below. These five categories represented an aggregate 76% of total municipal bond exposure. The largest municipal bond purpose for four of the five insurance industry types was refunding/repayment/cash flow management bonds (which can be issued as either general obligation or revenue bonds). These refunding/repayment/cash flow management bonds have been issued to refund previously existing bonds and notes, and, therefore, have benefitted from the low interest-rate environment over the past several years. If a municipality's outstanding debt pays an above-market interest rate, issuers often seek to refinance the higher-coupon debt with less expensive debt. The new bonds (or so-called refunding or repayment bonds), in turn, are issued, and proceeds are used to purchase U.S. Treasury or other high-quality bonds whose cash flows offset the cash flows of the previously outstanding municipal bonds. For fraternal companies, however, the most common purpose of the municipal bonds held was school district/improvement.

($bil) *Bond Purpose*	*P / C*	*Life*	*Health*	*Fraternal*	*Title*	*Total*	*% of Total*
Refunding / Repayment / Cash Flow Mgmnt	$149.1	$24.0	$8.7	$1.2	$0.9	**$184.0**	**38.6**
School District/Improvement	38.5	15.0	0.9	1.3	0.1	**$55.9**	**11.7**
Transportation/Airports/Bridges/Highways	25.9	20.5	1.5	0.5	0.1	**$48.4**	**10.2**
Water / Utility /Sewer	28.3	19.0	1.0	1.1	0.1	**$49.5**	**10.4**
Colleges / Universities	14.9	10.0	0.7	0.3	0.1	**$26.0**	**5.4**
Subtotal	**$256.7**	**$88.6**	**$12.8**	**$4.4**	**$1.3**	**$363.8**	**76.3**
Remainder	72.5	36.4	3.4	1.8	0.2	**114.4**	**23.7**
Total	**$329.2**	**$125.0**	**$16.2**	**$6.3**	**$1.5**	**$478.2**	**100.0**

State Exposure

With regard to the U.S. insurance industry's municipal bond exposure to U.S. states as of year-end 2012, the largest was in Texas, with 10.6% of total municipal bonds, followed by 9.3% in California and 7.5% in New York. The top 10 states comprised 54% of total municipal bond exposure.

Top 10 States – Municipal Bond Exposure (as of Year-End 2012)

($bil) *State*	*P / C*	*Life*	*Health*	*Fraternal*	*Title*	*Total*	*% of Total*
Texas	$36.5	$11.3	$1.6	$0.4	$0.1	**$49.9**	**10.6**
California	26.0	16.4	1.1	0.3	0.0	**$43.8**	**9.3**
New York	22.1	11.7	1.2	0.2	0.0	**$35.2**	**7.5**
Illinois	15.3	7.2	0.7	0.4	0.1	**$23.6**	**5.0**
Washington	15.6	5.1	0.7	0.2	0.1	**$21.7**	**4.6**
Florida	14.4	4.6	0.8	0.1	0.1	**$20.1**	**4.3**
Ohio	10.3	5.0	0.3	0.2	0.0	**$15.8**	**3.4**
Massachusetts	10.8	4.1	0.6	0.0	0.0	**$15.6**	**3.3**
Pennsylvania	9.5	4.1	0.7	0.2	0.0	**$14.5**	**3.1**
New Jersey	8.7	4.5	0.5	0.1	0.0	**$13.7**	**2.9**
Remainder	$158.3	$47.9	$7.7	$2.5	$0.9	**$217.3**	**46.1**
Total	**$327.4**	**$121.8**	**$16.0**	**$4.6**	**$1.5**	**$471.2**	**100.0**

Interest Rates and Maturity Dates

Interest earned on municipal bonds is often exempt from federal income tax and may also be exempt from state and local taxes. Given the tax benefits, the interest rate for municipal bonds is usually lower than that of taxable fixed-income securities such as corporate bonds and even government agency bonds. The average yield on municipal bonds held by P/C companies has been approximately 4.8% – 4.9% since at least 2006. For municipal bonds held by life companies, yields have ranged slightly higher (between 4.8% and 5.4%) for the same time period analyzed. The greater yields can be explained by the higher percentage of revenue bonds (which contain greater credit risk), the higher percentage of taxable bonds (with corresponding higher yields) and the generally longer-dated municipal bonds held by life companies. The table below shows the maturity dates of municipal bonds held by the U.S. insurance industry by company type.

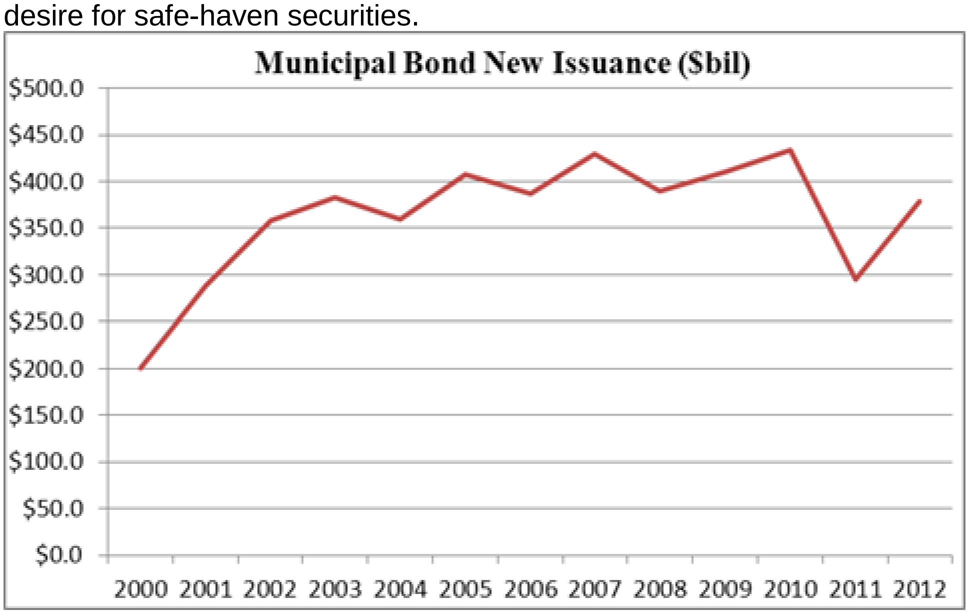
Maturity of Municipal Bond Exposure (as of Year-End 2012)

($bil) Years to Maturity	P / C	Life	Health	Frat'l	Title	Total	% of Total
< 1 yr	$9.9	$1.4	$0.7	$0.0	$0.1	$12.1	2.5
≥ 1 to < 5.0 yrs	$64.4	$7.3	$4.5	$0.2	$0.6	$77.0	16.1
≥ 5 to < 10.0 yrs	$97.3	$15.2	$5.6	$1.1	$0.6	$119.8	25.1
≥ 10 to < 15.0 yrs	$82.2	$21.4	$3.0	$1.7	$0.1	$108.5	22.7
≥ 15 to < 20.0 yrs	$39.6	$23.3	$1.1	$1.5	$0.1	$65.6	13.7
≥ 20 yrs	$35.8	$56.4	$1.2	$1.7	$0.0	$95.1	19.9
Total	**$329.2**	**$125.0**	**$16.2**	**$6.3**	**$1.5**	**$478.2**	**100.0**

About half of P/C municipal bond exposure (55%) was within the five-to-15 years' maturity range, while the largest portion of life insurer municipal bonds matured in greater than 20 years (45%) due to their longer duration needs.

Municipal Bond New Issuance and Historical Defaults

The table below shows annual new issuance of municipal bonds since 2000. The decline in new issuance in 2011 was driven, in part, by the expiration of the federal Build America Bonds program (which was created as an economic stimulus program and consisted of the issuance of taxable securities that gave issuers a 35% federal subsidy on interest payments), as well as budget cuts and higher taxes. The decline proved temporary, however, as new issuance increased in 2012 (although it was still below 2010 new issuance), driven in part by investors' desire for safe-haven securities.



Typically following a recession, an increase in municipal default risk follows. Historically, there is a lag between the financial performance of municipal issuers and the broader economic activity.

And, as stated by Moody's: "unlike corporates and sovereigns, only a small portion of [rated] municipalities have refinancing risks, and debt service typically represents a low percentage of municipal expenditures, so municipal issuers have little to gain by defaulting. Further, missing debt service might cause the municipality to be shut out from short-term note and bank-lending markets and/or to face much higher borrowing rates. Municipal bankruptcy is itself a rare event given the significant political and legal hurdles to filing." To date, the default rate on municipals has been minimal. According to research published by Moody's, in the years from 1970 to 2007, the number of defaults of Moody's-rated credits averaged 1.3 per year. Between 2008 and 2012, however, due to five new defaults that occurred in 2012 (according to Moody's data), the average defaults per year rose to 4.6. Nevertheless, the one-year default rate for Moody's-rated municipal issuers remains low, at an average of 0.030% of issuers for the past five years (to 2007), compared to an average of 0.009% for the 1970–2007 time period.

Default by Sector, 1970-2012

Purpose	Number of Defaults	Percentage	One-Year Default Rate
Housing	29	39.7%	0.062%
Hospitals & Health Service Providers	22	30.1%	0.091%
Infrastructure	4	5.5%	0.031%
Education	3	4.1%	0.007%
Cities	3	4.1%	0.011%
Utilities	2	2.7%	0.005%
Water & Sewer	2	2.7%	0.004%
Counties	2	2.7%	0.016%
Special Districts	0	0.0%	0.000%
State Governments	0	0.0%	0.000%
Pool Financings	0	0.0%	0.000%
Other	1	1.4%	0.037%
NON GENERAL OBLIGATION	**68**	**93.2%**	**0.026%**
GENERAL OBLIGATION	**5**	**6.8%**	**0.001%**
TOTAL	**73**	**100%**	**0.012%**

Source: Moody's

According to Fitch Ratings (Fitch) research, many local government municipal bond issuers (such as towns, cities and counties) have had expenses expand faster than revenues, thus reducing their spending flexibility and exacerbating problems resulting from slow economic growth. Local governments rely principally on real estate taxes, while state governments benefit mostly from state sales (and often income) taxes. Fitch underscored the pressure local governments have been under, both from lower revenues due to the recent housing crisis (which reduced tax revenues to local governments), as well as from increased costs due to higher retirement rates.

By contrast, the outlook for state governments is somewhat better than it is for local governments. According to Fitch research, "states are fundamentally very strong credits. They have strong control over their revenue and spending, and they have shown the ability and willingness to adjust (to the slowing economy)." However, Fitch also stated that a couple of states could experience difficulties if federal spending is reduced in 2013.

Municipal Bonds Exempt from Regulation

Municipal securities have not been subject to the same level of regulation as other sectors within the U.S. capital markets. The federal Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act) were both enacted with broad exemptions for municipal securities from most of their provisions.

As part of the Securities Act and Exchange Act Amendments of 1975 (1975 Amendments), firms transacting business in municipal securities (including underwriters) were required to register with the U.S. Securities Exchange Commission (SEC) as broker-dealers, which, in turn, gave the SEC broad rulemaking and enforcement authority over such broker-dealers. The 1975 Amendments also created the Municipal Securities Rulemaking Board (MSRB), which regulates intermediaries in the municipal bond market through various programs that are intended to protect investors, state and local government entities and other institutions that are involved somehow in municipal credit. The Financial Industry Regulatory Authority, the SEC and bank regulators enforce MSRB rules. The 1975 Amendments did not create a regulatory regime for, or impose any new requirements on, municipal bond issuers. Also, under provisions commonly known as the "Tower Amendment," the 1975 Amendments limited the SEC's and the MSRB's authority to require municipal securities issuers to file any application, report or document prior to any sale of municipal securities.

Recent Regulatory Actions and Status

The federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) required a review of the municipal bond market by the U.S. comptroller general, which was completed in January 2012. The review provided a clearer picture of the typical municipal bond investor, and it highlighted reporting and accounting shortcomings as major investor concerns. The Dodd-Frank Act also specified that so-called municipal security advisors (which include financial advisors, swap advisors, brokers and other market participants that advise on the issuance of municipal securities and provide certain other types of advice to state and local governments, public pension funds and other municipal entities) were to register with the SEC and be regulated by the MSRB.

Subsequent to the completion of the review mandated by the Dodd-Frank Act, the SEC compiled its own report in July 2012. The SEC based its report on public hearings held throughout the United States, where investors were encouraged to voice concerns. Key findings of these meetings are summarized below:

- Individuals, or "retail" investors, directly or indirectly (through mutual funds or ETFs) hold more than 75% of the more than $3.7 trillion of outstanding municipal securities. The municipal securities market traditionally has been described as a "buy-and-hold" market because many investors hold municipal securities until maturity. Following an initial distribution period, municipal securities trade less frequently than corporate, government or agency bonds.
- The most frequent complaint by investors was the poor quality or lack of appropriate information. Municipalities are not required to file audited financial statements.
- Low secondary market trading volumes mean that there is no real market-based mechanism to determine current bond values.
- Poor market liquidity and lack of timely, publicly available financial and credit information mean that unsophisticated retail investors (which comprise the majority of retail investors) are disadvantaged relative to the municipal bond dealers and professionals. The SEC noted that, historically, retail investors were willing to purchase municipal bonds despite the information shortcomings because of the historically low associated default rates, which are much lower than corporate bonds and foreign sovereign debt.

Conclusion

Since our last special report on the municipal bond market in 2012, and following the financial crisis, municipal bonds have fared relatively well. Default rates have been minimal and new issuance volume has been relatively steady since about 2003, despite a dip in 2011. The U.S. insurance industry's exposure to municipal bonds was 9.0% of total cash and invested assets as of year-end 2012, almost all of which were of the highest credit quality as evidenced by their NAIC designations. While there has been some attention to municipal bonds with respect to regulatory review, the findings and recommendations continue to evolve. The Capital Markets Bureau will report on developments within the municipal bond market as deemed appropriate.

June 28, 2013								
Major Insurer Share Prices			Change %			Prior		
		Close	Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	$58.12	2.6	0.0	9.9	$56.66	$58.12	$52.89
	Ameriprise	80.88	2.2	0.0	29.5	79.16	80.88	62.45
	Genworth	11.41	3.9	0.0	52.3	10.98	11.41	7.49
	Lincoln	36.47	3.0	0.0	41.5	35.42	36.47	25.77
	MetLife	45.76	1.6	0.0	39.7	45.04	45.76	32.76
	Principal	37.45	1.8	0.0	32.0	36.80	37.45	28.38
	Protective	38.41	0.2	0.0	34.9	38.34	38.41	28.47
	Prudential	73.03	2.1	0.0	37.6	71.55	73.03	53.09
	UNUM	29.37	0.5	0.0	41.7	29.22	29.37	20.73
PC	ACE	$89.48	3.9	0.0	12.6	$86.15	$89.48	$79.50
	Axis Capital	45.78	2.1	0.0	32.8	44.86	45.78	34.46
	Allstate	48.12	1.9	0.0	20.2	47.23	48.12	40.05
	Arch Capital	51.41	2.2	0.0	17.3	50.30	51.41	43.82
	Cincinnati	45.92	1.1	0.0	17.9	45.40	45.92	38.95
	Chubb	84.65	1.8	0.0	12.9	83.15	84.65	75.01
	Everest Re	128.26	2.9	0.0	17.0	124.59	128.26	109.67
	Progressive	25.42	3.5	0.0	21.0	24.55	25.42	21.01
	Travelers	79.92	1.1	0.0	11.7	79.07	79.92	71.53
	WR Berkley	40.86	1.7	0.0	8.7	40.18	40.86	37.59
	XL	30.32	2.6	0.0	21.6	29.56	30.32	24.94
Other	AON	$64.35	1.7	0.0	16.1	$63.26	$64.35	$55.41
	AIG	44.70	2.3	0.0	26.7	43.69	44.70	35.28
	Assurant	50.91	1.3	0.0	47.7	50.24	50.91	34.48
	Fidelity National	23.81	5.2	0.0	1.0	22.64	23.81	23.58
	Hartford	30.92	5.3	0.0	38.1	29.37	30.92	22.39
	Marsh	39.92	1.5	0.0	16.4	39.34	39.92	34.30
Health	Aetna	$63.54	2.8	0.0	37.6	$61.79	$63.54	$46.17
	Cigna	72.49	2.0	0.0	36.0	71.04	72.49	53.29
	Humana	84.38	(0.6)	0.0	23.3	84.91	84.38	68.43
	United	65.48	2.5	0.0	21.0	63.90	65.48	54.12
	WellPoint	81.84	3.1	0.0	34.8	79.40	81.84	60.73
Monoline	Assured	$22.06	0.3	0.0	56.2	$22.00	$22.06	$14.12
	MBIA	13.31	3.9	0.0	68.1	12.81	13.31	7.92
	MGIC	6.07	2.9	0.0	124.8	5.90	6.07	2.70
	Radian	11.62	(1.4)	0.0	88.9	11.78	11.62	6.15
	XL Capital	30.32	2.6	0.0	21.6	29.56	30.32	24.94

June 28, 2013							
Major Market Variables		**Change %**			**Prior**		
	Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Dow Jones Ind	14,909.60	0.7	0.0	13.8	14,799.40	14,909.60	13,099.80
S&P 500	1,606.28	0.9	0.0	13.0	1,592.43	1,606.28	1,422.10
S&P Financial	262.06	1.6	0.0	18.5	257.96	262.06	221.17
S&P Insurance	246.78	1.3	0.0	23.6	243.54	246.78	199.67
US Dollar $		**Change %**			**Prior**		
/ Euro	$1.30	(0.8)	0.0	(1.4)	$1.31	$1.30	$1.32
/ Crude Oil bbl	96.53	2.7	0.0	5.4	93.95	96.53	91.62
/ Gold oz	1,233.50	(4.5)	0.0	(26.3)	1,291.60	1,233.50	1,673.70
Treasury Ylds %	**%**	**Change bp**			**%**	**%**	**%**
1 Year	0.15	0.02	0.00	0.01	0.13	0.15	0.14
10 Year	2.49	(0.04)	0.00	0.73	2.53	2.49	1.76
30 Year	3.50	(0.09)	0.00	0.55	3.58	3.50	2.95
Corp Credit Spreads -bp		**Change %**			**Prior**		
CDX.IG	40.05	(12.8)	0.0	(29.8)	45.96	40.05	57.04

June 28, 2013									
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	$128.42	$0.15	3.15%	144	(0)	17
	Ameriprise	5.300%	3/15/2020	$114.50	$0.40	2.90%	101	(1)	(17)
	Genworth	6.515%	5/15/2018	$110.48	($0.16)	4.12%	273	12	(117)
	Lincoln National	8.750%	7/15/2019	$128.42	($0.96)	3.46%	176	26	(8)
	MassMutual	8.875%	6/15/2039	$144.91	$0.46	5.58%	220	5	(28)
	MetLife	4.750%	2/15/2021	$108.95	$0.00	3.40%	132	3	23
	New York Life	6.750%	11/15/2039	$124.00	$1.18	5.09%	171	3	8
	Northwestern Mutual	6.063%	3/15/2040	$115.34	$1.67	5.01%	162	(2)	17
	Pacific Life	9.250%	6/15/2039	$136.88	$2.14	6.34%	295	(7)	(36)
	Principal	6.050%	10/15/2036	$116.47	($0.05)	4.86%	165	16	(17)
	Prudential	4.500%	11/15/2020	$106.69	$0.23	3.46%	141	4	0
	TIAA	6.850%	12/15/2039	$122.17	($0.26)	5.28%	188	8	18
P&C	ACE INA	5.900%	6/15/2019	$119.27	$0.10	2.40%	69	5	(8)
	Allstate	7.450%	5/15/2019	$127.09	$1.19	2.46%	75	(15)	(36)
	American Financial	9.875%	6/15/2019	$129.72	$0.01	4.18%	244	3	(69)
	Berkshire Hathaway	5.400%	5/15/2018	$114.93	$0.09	2.15%	75	1	12
	Travelers	3.900%	11/15/2020	$106.88	$0.66	2.85%	76	(9)	11
	XL Group	6.250%	5/15/2027	$113.44	($0.60)	4.90%	203	3	(38)
Other	AON	5.000%	9/15/2020	$109.50	$0.31	3.50%	147	12	15
	AIG	5.850%	1/15/2018	$112.62	$0.70	2.86%	159	(10)	39
	Hartford	5.500%	3/15/2020	$111.04	($0.17)	3.64%	169	8	(4)
	Marsh	9.250%	4/15/2019	$130.45	($2.52)	3.40%	171	48	(26)
	Nationwide	9.375%	8/15/2039	$137.01	($2.09)	6.43%	304	20	(18)
Health	Aetna	3.950%	9/15/2020	$103.54	$0.35	3.39%	134	(3)	14
	CIGNA	5.125%	6/15/2020	$109.31	($1.14)	3.60%	162	23	18
	United Healthcare	3.875%	10/15/2020	$105.09	$0.54	3.09%	105	(6)	9
	Wellpoint	4.350%	8/15/2020	$106.53	$0.36	3.31%	132	(1)	(5)

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