NAIC National Association of Insurance Commissioners & 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**

U.S. Government-Related and Foreign Government Debt Holdings Within the U.S. Insurance Industry

While holdings of U.S. government-related and foreign government debt are usually a small part of insurers' invested assets, they serve an important role in their investment portfolios. Insurers typically have a portion of their assets in Treasuries for a number of reasons including their high credit quality, favorable liquidity, wide maturity distribution and universal acceptability serving as required collateral. Insurers also own other forms of U.S. government-related debt — including government agency debt; government-sponsored enterprise (GSE) debt; and agency and GSE mortgage-backed securities (MBS) —for their high credit quality and liquidity. Government agency debt owned by insurers consists mainly of Small Business Administration (SBA) guaranteed loan pool certificates and other related SBA securities. GSE debt includes direct bonds issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) and the Federal Home Loan Banks (FHLBs). In addition, U.S. insurers typically own foreign government debt for portfolio diversification and/or to serve as collateral for financial transactions such as derivatives contracts or repurchase agreements. U.S. insurers owned a total of $674 billion of U.S. government-related securities and $108 billion of foreign government debt as of Dec. 31, 2011. Total holdings of both U.S. and foreign government-related investments represented 16% of total cash and invested assets.

U.S. Government-Related Securities Holdings

The U.S. insurance industry owns direct U.S. Treasury debt, as well as other types of U.S. government-related bonds. Non-Treasury sectors include debt: 1) issued by U.S. government agencies; 2) issued by government-sponsored agencies; 3) Government National Mortgage Association (GNMA or Ginnie Mae) pass-throughs; 4) FNMA and FHLMC pass-throughs; and 5) FNMA and FHLMC collateralized mortgage obligations (CMOs). Pass-throughs are securities backed by a pool of residential mortgages where the cash flows from the underlying loans are "passed through" to securities holders on a proportionate basis. CMOs are also backed by residential mortgages, but in these structured securities, the transactions' cash flows can be straightforward sequential-pay securities or they may be subject to complex allocation methods, as defined in the transaction's documents.

The distribution of the industry's investment across the six government-debt sectors has varied over time as insurers revise their portfolio compositions in response to investment needs and market conditions. However, overall, U.S. government-related debt has consistently been 13% to 14% of total cash and invested assets since at least 2006.

Figure 1
U.S. Insurance Industry Investments in U.S. Government-Related Securities
Holdings from December 31, 2006, to December 31, 2011
(Billions of Dollars of Book/Adjusted Carrying Value)

Sector	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
U.S. Treasuries	$158	$130	$140	$190	$214	$220
Agencies	$44	$39	$37	$31	$29	$30
Government Sponsored Enterprises	$92	$84	$68	$74	$72	$64
Ginnie Mae Pass-Throughs	$18	$17	$27	$34	$33	$35
FNMA & FHLMC Pass-Throughs	$159	$162	$147	$158	$147	$154
FNMA & FHLMC CMO	$161	$185	$175	$163	$174	$171
Total U.S. Government-Related	**$632**	**$616**	**$594**	**$651**	**$670**	**$674**
% of Total Cash & Invested Assets	14%	13%	13%	14%	13%	13%

As Figure 1 above shows, the largest government-related investment owned by the U.S. insurance industry on Dec. 31, 2011, was $220 billion of U.S. Treasury securities. FNMA and FHLMC CMOs were the second-largest exposure at $171 billion. The industry increased its holding of U.S. Treasuries between 2006 and 2011 by 40%, from $158 billion as of year-end 2006 to $220 billion as of year-end 2011. This increase was countered by a decrease in the holdings of debt issued by government agencies and GSEs, which declined as of year-end 2011 compared to year-end 2006. The decline in holdings of direct GSE debt during this period is due to their shrinking business profile — as the amount of debt outstanding by both FNMA and FHLMC decreased from 2009 to 2012 — given that these entities are operating under the conservatorship of the Federal Housing Finance Agency. Any increases in agency and GSE MBS during this period may be attributable to insurers seeking exposure to MBS investments during a time when private label MBS were, for the most part, unavailable.

While holdings of U.S. Treasuries are usually a small part of insurer invested assets, Treasuries are attractive investments for a number of reasons, including: 1) there is an availability of a wide range of maturities and duration sensitivities ranging from four-week Treasury bills to 30-year Treasury STRIPS (Separate Trading of Registered Interest and Principal Securities), which is one of the longest duration securities available for purchase; 2) they are a reliable source of liquidity, which is especially important during highly stressed market conditions; 3) they are acceptable as collateral for a number of different financial transactions; and 4) they satisfy minimum reserve investment laws, such as New York's Section 1402 that requires a minimum amount be invested in defined investments.

Because Treasuries are highly liquid, they are particularly useful as a "placeholder" investment vehicle. This means that the insurer will temporarily invest in Treasuries until a more desirable permanent investment is identified. Over time, the insurer can sell the Treasuries and migrate to higher yielding investments as attractive opportunities become available in the market. Treasuries are ideal for this purpose because they can be readily acquired in substantial size and with little market impact or transaction cost.

An insurer's demand for Treasuries and government debt in general, changes over time in response to a wide range of factors such as its cash position, market yields, expected market movements and credit views. Insurers' interest in owning these securities, therefore, will change as circumstances and market conditions change.

U.S. agency-backed securities, such as residential mortgage-backed securities (RMBS) sponsored by FNMA and FHLMC, totaled $360 billion as of Dec. 31, 2011, and constituted approximately 10% of the insurance industry's total bond portfolio (or 7% of total invested assets) as of year-end 2011. The high credit quality and liquidity of agency RMBS holdings, combined with a yield advantage over Treasuries, also makes them attractive insurer investments. Insurers also own smaller amounts of agency-backed MBS that are securitized by multifamily housing mortgage loans and so are reported as agency-backed commercial mortgage-backed securities (CMBS) on their financial annual statements.

Figure 2

U.S. Insurance Industry Investments in U.S. Government-Related Securities by Industry Segment

As of December 31, 2011

(Billions of Dollars of Book/Adjusted Carrying Value)

Holdings	Life	P/C	Health	Fraternal	Title	Total
U.S. Treasuries	$125.3	$82.1	$11.2	$1.4	$0.2	**$220.2**
Agencies	$20.1	$6.8	$1.3	$1.8	$0.0	**$30.0**
Government Sponsored Enterprises	$33.7	$23.3	$4.9	$1.9	$0.1	**$63.8**
Ginnie Mae Pass Throughs	$18.0	$13.5	$3.1	$0.2	$0.1	**$34.9**
FNMA & FHLMC Pass-Throughs	$85.4	$51.8	$10.8	$5.5	$0.2	**$153.7**
FNMA & FHLMC CMO	$124.8	$37.6	$1.6	$6.9	$0.1	**$171.0**
Total U.S. Government Related	**$407.3**	**$215.1**	**$32.9**	**$17.8**	**$0.7**	**$673.7**
% of Total Industry Holdings	**60%**	**32%**	**5%**	**3%**	**0%**	**100%**

Figure 2 above shows the breakdown of the industry's holdings across the five insurance company segments. Life and property/casualty (P/C) companies account for 92% of the industry's U.S. government-related debt holdings as of Dec. 31, 2011.

Ownership of U.S. Treasuries is somewhat concentrated in the insurance industry, with 25 insurers accounting for 52% of the industry's total U.S. Treasury holdings. The largest holding by a single insurer was 9.7% of the industry's total. Many of the industry's largest holders of U.S. Treasuries are also among the largest insurers. Some insurers also undergo significant year-to-year changes in their Treasury investments as their needs and strategies evolve.

Figure 3
Maturity Distribution of U.S. Insurance Industry U.S. Treasury Bond Holdings by Industry Segment
December 31, 2011
(As a Percent of Total Book/Adjusted Carrying Value)

Years to Maturity	Life	P/C	Health	Fraternal	Title	Total
< 1	9%	12%	8%	2%	27%	**10%**
1 to <= 2	8%	16%	15%	15%	8%	**11%**
2 to <= 5	9%	41%	36%	11%	33%	**22%**
5 to <= 7	5%	8%	13%	16%	28%	**7%**
7 to <= 10	15%	11%	19%	21%	2%	**14%**
10 to <= 15	6%	3%	2%	8%	0%	**5%**
15 to <= 20	13%	3%	1%	14%	1%	**9%**
20 to <= 25	3%	0%	0%	1%	1%	**2%**
> 25	32%	5%	6%	12%	0%	**20%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

As shown in Figure 3, the maturity distribution of U.S. Treasury holdings across the five industry segments varies considerably. Bonds maturing in 25 years or more represented the largest concentration for life companies, at 32% of total Treasury bond exposure. In contrast, the P/C industry had only 5% of its Treasury holdings in this category. Life companies often own long-dated Treasuries to add duration to their investment portfolios to match long-term liabilities. Conversely, P/C insurers generally invest in shorter maturity bonds to effectively match shorter term liabilities, with Treasuries maturing in five years and less comprising 69% of the industry's total Treasury holdings. For P/C companies, Treasuries serve as a source of liquidity should they need to pay policyholder claims or for other corporate purposes. For life companies, liquidity needs are fewer and more predictable.

Transactional Activity

An analysis of the insurance industry's transactional activity in Treasury securities shows that it is relatively robust. If Treasuries are purchased as a placeholder for when a more suitable, permanent investment is identified, the insurer's level of reported trading would likely be higher than other types of investments. In a special report published by the Capital Markets Bureau on Aug. 24, 2012, we noted that the industry net disposed $9.3 billion of U.S. government securities (which included U.S. Treasuries as well as direct debt of GSEs) as of year-end 2011. It also net acquired $9.7 billion of agency RMBS as of year-end 2011.

Foreign Government Debt Holdings

Insurers invest in non-U.S. government debt for reasons similar to why they own U.S. Treasuries: their relatively high credit quality, liquidity, maturity distribution and acceptability to serve as collateral when required. Each of the countries included in Figure 4 has high-quality long-term sovereign debt ratings (investment grade) from both Standard & Poor's (S&P) and Moody's Investors Service (Moody's). However, note that insurers also have a relatively small exposure to long-term foreign sovereign debt whose credit quality is below investment grade. Most countries do not have a private securities market that is as developed as in the United States. In many countries, the local sovereign government dominates the local capital market. There are often limited amounts and types of other fixed-income alternatives available for investment. For example, government bonds constitute more than 90% of the local currency bond market in Japan, with private sector bonds constituting less than 10% of its domestic bond market. Consequently, insurers in markets such as Japan have little alternative to investing primarily in local government securities.

Figure 4
U.S. Insurance Industry Foreign Government Bond Holdings
(Billions of Dollars of Book/Adjusted Carrying Value)

				6/30/2012	
Country	12/31/2010	6/30/2011	12/31/2011	Amount	% of Total
Japan	$32.3	$37.8	$50.6	$31.5	39%
Canada	$25.1	$26.5	$28.8	$27.1	33%
South Korea	$0.6	$0.6	$2.0	$1.9	2%
Brazil	$1.4	$1.6	$1.6	$1.6	2%
South Africa	$1.2	$1.5	$1.6	$1.6	2%
Poland	$0.9	$1.1	$1.2	$1.4	2%
Australia	$2.8	$3.6	$5.1	$1.3	2%
Mexico	$1.4	$1.6	$1.6	$1.2	1%
Remainder of World	$15.2	$15.9	$15.8	$14.2	17%
Total	**$80.7**	**$90.1**	**$108.2**	**$81.7**	**100%**

As shown in Figure 4, the U.S. insurance industry's exposure to foreign government securities as of June 30, 2012, was almost $82 billion. Exposure to the countries listed (notably none domiciled in the Eurozone) peaked at $108 billion on Dec. 31, 2011. The increase in Japanese holdings during the second half of 2011 was due to purchases of Japanese debt by several insurance companies. The decrease in holdings of Japanese debt during the first half of 2012 was primarily due to a large transfer of foreign government debt holdings from a U.S.-based insurer to an affiliated foreign insurer that is part of the same insurance group via a corporate restructuring.

The industry's foreign government investments are dominated by Japan and Canada whose long-term sovereign debt is highly rated by the rating agencies. Japanese government bonds account for 39% of the industry's total foreign bond holdings. The majority of the industry's Japanese bond holdings are owned by one insurer with a large Japanese insurance business. The Japanese government bonds offset the company's Japanese liabilities. The remaining Japanese government debt investments are scattered across the industry. Holdings of Canadian government debt accounts for 33% of the insurance industry's total foreign government bond holdings. Holdings of Canadian government debt are widely dispersed, with no single insurer having a meaningful portion on its own.

The combined industry holdings of Japanese and Canadian bonds account for almost 75% of the industry's total foreign government holdings. Bonds issued by each of the other six listed countries were 2% or less of the industry's foreign government bond holdings. Furthermore, total holdings for countries other than Japan and Canada were less than $2 billion in book/adjusted carrying value each.

The U.S. insurance industry has modestly decreased its exposure to the sovereign debt of weaker countries through asset sales and maturities during this period. Given that these holdings were relatively small to begin with, the dollar value of the changes in these holdings is also small.

Figure 5
U.S. Insurance Industry Transactions in Foreign Government Bonds by Country of Issuance
(Billions of Dollars)

	2010		2011		First Half of 2012	
Country	Purchases	Dispositions	Purchases	Dispositions	Purchases	Dispositions
Japan	$11.1	$3.1	$28.2	$12.7	$2.4	$21.6
Canada	$7.6	$3.2	$6.6	$4.7	$2.4	$4.1
South Korea	$0.7	$0.2	$0.7	$0.2	$0.0	$0.2
Brazil	$0.8	$0.2	$0.4	$0.1	$0.2	$0.2
South Africa	$0.1	$0.1	$0.4	$0.0	$0.1	$0.1
Poland	$0.2	$0.0	$0.4	$0.1	$0.2	$0.0
Australia	$2.1	$0.1	$2.9	$0.6	$1.1	$4.9
Mexico	$0.3	$0.2	$0.5	$0.2	$0.1	$0.5
Remainder of World	$5.3	$3.6	$5.6	$4.8	$1.6	$3.2
Total	**$28.4**	**$10.8**	**$45.6**	**$23.5**	**$8.4**	**$34.9**

Note: Dispositions are the sum of bond sales, redemptions and maturities.

Figure 5 summarizes the insurance industry's purchases and dispositions of foreign government debt for the two-and-a-half-year analysis period, which includes much of the Eurozone crisis. It includes detailed transaction totals for the same list of eight countries as in Figure 4, which comprises the insurance industry's leading foreign government debt holdings. The largest share of the transactions in most of these periods was in Japanese government debt. The purchases of Japanese government debt in 2011 were primarily executed by one insurer with active operations in the Japanese market. The majority of the dispositions of Japanese and Australian government debt in the first half of 2012 were the result of a transfer of assets that was completed as part of a corporate restructuring, and is, therefore, not indicative of typical portfolio activity.

Changes in the Risk Profile and Regulatory Treatment of Sovereign Debt

Prior to the financial crisis, sovereign debt issued by the governments of developed economies — such as the United States, Germany, United Kingdom, Japan, Switzerland and Canada — were considered relatively low-risk investments. The long-term sovereign debt of these countries was assigned high credit ratings by nationally recognized statistical rating organizations (NRSROs) such as Moody's and S&P. During and after the financial crisis, market yields on many of these government securities declined to low levels not seen in decades. This happened even though, in some cases, the country's credit profile was deteriorating and its sovereign debt rating was downgraded. High levels of central bank activity to keep interest rates low and stimulate economies — combined with investors' increasing desire for safe, secure and liquid investments (such as government debt) — drove yields to historically low levels on the most creditworthy sovereign debt.

In contrast, the Eurozone financial crisis resulted in significantly reduced creditworthiness for lower tier sovereign credits, including Greece, Portugal and Ireland. Market yields on their sovereign debt rose as investors became increasingly concerned with their ability to make timely debt service payments, and, in turn, market prices declined as is expected given the inverse price/yield relationship that exists with fixed rate debt. In recent years, the Eurozone crisis has spread to Spain and Italy, two of the largest economies among European Union (EU) member states.

U.S. insurance companies are required to hold capital to support their foreign sovereign debt holdings, just as they are with other forms of debt. The amount of capital varies based on the credit quality of the sovereign. This capital requirement is, therefore, likely to have an impact on investment decisions. In contrast, EU-based insurers are not required to hold any capital to support their holdings of any sovereign debt issued by the 27 countries in the European Economic Area, regardless of the creditworthiness of the country issuing the debt. This is similar to capital requirements for banks under Basel III.

Expanding Derivatives Collateral Requirements

Investors are increasing their holdings of U.S government debt as part of an expanding need for securities serving as collateral for derivatives transactions. As part of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the U.S. government is implementing a number of derivatives market reforms. Some of these reforms expand the required use of centralized clearinghouses, which have specific and strict rules regarding collateral requirements. While U.S. Treasuries are not the only form of collateral that can be used to support these transactions, they are often desired for this purpose given their high credit quality, liquidity and lower market value volatility. In addition, because of their high credit quality, U.S. Treasuries typically incur only a nominal “haircut,” if at all, when posted as collateral. That is, a minimal amount is subtracted or discounted from the market value of U.S. Treasuries being used as collateral; the amount of the “haircut” or discount reflects the perceived risk associated with holding the collateral. Consequently, an expansion in the amount of collateral required to support outstanding derivative transactions may result in many financial market participants, including the U.S. insurance industry, to increase their demand for ownership of U.S. Treasuries.

A similar dynamic would occur overseas with domestic sovereign debt as it pertains to derivative transactions entered into by U.S. insurers in foreign countries. However, given the insurance industry’s small derivatives markets’ positions of only 0.20% of the overall derivatives market, its need for additional collateral will be modest compared to the needs of much more active derivative market participants, such as banks and hedge funds.

Conclusion

The U.S. insurance industry owned $674 billion of U.S. government-related securities as of Dec. 31, 2011. They serve as important portfolio management tools, such as being a source of unquestioned liquidity — particularly during periods of market stress — and as tactical investments when immediate portfolio transactions are required. The industry’s holdings of foreign government debt is mostly, but not exclusively, related to companies’ conducting insurance business outside of the United States. Foreign government debt is also owned by insurers for reasons similar to those that drive their ownership of U.S. Treasury securities.

The Capital Markets Bureau will continue monitoring the U.S. insurance industry’s ownership of U.S. government-related and foreign government debt and report on these investments as appropriate.

May 3, 2013								
Major Insurer Share Prices			**Change %**			**Prior**		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$55.36	4.1	6.4	4.7	$53.20	$52.02	$52.89
	Ameriprise	75.80	3.2	2.9	21.4	73.48	73.65	62.45
	Genworth	10.47	6.1	4.7	39.8	9.87	10.00	7.49
	Lincoln	32.96	(0.9)	1.1	27.9	33.27	32.61	25.77
	MetLife	40.48	5.1	6.5	23.6	38.53	38.02	32.76
	Principal	36.72	2.7	7.9	29.4	35.74	34.03	28.38
	Protective	38.60	3.1	7.8	35.6	37.44	35.80	28.47
	Prudential	65.20	10.0	10.5	22.8	59.25	58.99	53.09
	UNUM	27.43	0.7	(2.9)	32.3	27.23	28.25	20.73
PC	ACE	$89.90	1.1	1.0	13.1	$88.94	$88.97	$79.50
	Axis Capital	44.52	2.3	7.0	29.2	43.51	41.62	34.46
	Allstate	48.69	(0.8)	(0.8)	21.6	49.09	49.07	40.05
	Arch Capital	52.94	0.5	0.7	20.8	52.66	52.57	43.82
	Cincinnati	49.26	2.4	4.3	26.5	48.10	47.22	38.95
	Chubb	88.12	0.4	0.7	17.5	87.81	87.53	75.01
	Everest Re	131.98	(0.4)	1.6	20.3	132.47	129.86	109.67
	Progressive	25.05	(0.6)	(0.9)	19.2	25.19	25.27	21.01
	Travelers	85.41	0.3	1.4	19.4	85.15	84.19	71.53
	WR Berkley	42.92	(0.9)	(3.3)	14.2	43.33	44.37	37.59
	XL	32.23	3.5	6.4	29.2	31.15	30.30	24.94
Other	AON	$63.31	7.3	2.9	14.3	$59.00	$61.50	$55.41
	AIG	44.52	8.9	14.7	26.2	40.87	38.82	35.28
	Assurant	47.45	2.0	5.4	37.6	46.52	45.01	34.48
	Fidelity National	25.05	(6.6)	(0.7)	6.2	26.81	25.23	23.58
	Hartford	28.80	6.2	11.6	28.6	27.12	25.80	22.39
	Marsh	38.77	3.9	2.1	13.0	37.33	37.97	34.30
Health	Aetna	$59.00	3.5	15.4	27.8	$57.01	$51.13	$46.17
	Cigna	67.13	2.0	7.6	26.0	65.81	62.37	53.29
	Humana	73.93	0.6	7.0	8.0	73.49	69.11	68.43
	United	58.92	(0.9)	3.0	8.9	59.48	57.21	54.12
	WellPoint	73.82	1.3	11.5	21.6	72.87	66.23	60.73
Monoline	Assured	$20.83	0.4	1.1	47.5	$20.75	$20.61	$14.12
	MBIA	9.83	(4.6)	(4.3)	24.1	10.30	10.27	7.92
	MGIC	5.26	(1.5)	6.3	94.8	5.34	4.95	2.70
	Radian	12.09	2.6	12.9	96.6	11.78	10.71	6.15
	XL Capital	32.23	3.5	6.4	29.2	31.15	30.30	24.94

May 3, 2013							
Major Market Variables		**Change %**			**Prior**		
	Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Dow Jones Ind	14,973.96	1.8	2.7	14.3	14,712.55	14,578.54	13,099.80
S&P 500	1,614.42	2.0	2.9	13.5	1,582.24	1,569.19	1,422.10
S&P Financial	253.91	1.5	3.5	14.8	250.10	245.41	221.17
S&P Insurance	240.15	3.2	5.0	20.3	232.81	228.71	199.67
US Dollar $		**Change %**			**Prior**		
/ Euro	$1.31	0.7	2.3	(0.6)	$1.30	$1.28	$1.32
/ Crude Oil bbl	95.53	2.8	(1.7)	4.3	92.91	97.23	91.62
/ Gold oz	1,468.90	1.1	(7.9)	(12.2)	1,453.60	1,594.80	1,673.70
Treasury Ylds %	**%**	**Change bp**			**%**	**%**	**%**
1 Year	0.11	0.01	(0.02)	(0.03)	0.11	0.13	0.14
10 Year	1.74	0.08	(0.11)	(0.02)	1.67	1.85	1.76
30 Year	2.96	0.09	(0.15)	0.01	2.86	3.10	2.95
Corp Credit Spreads -bp		**Change %**			**Prior**		
CDX.IG	31.89	(3.3)	(26.4)	(44.1)	32.98	43.33	57.04

May 3, 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	$135.67	($0.25)	2.15%	116	(3)	(11)
	Ameriprise	5.300%	3/15/2020	$120.16	($0.03)	2.12%	94	(7)	(24)
	Genworth	6.515%	5/15/2018	$117.93	$1.57	2.69%	188	(36)	(202)
	Lincoln National	8.750%	7/15/2019	$135.99	($0.38)	2.41%	138	(4)	(46)
	MassMutual	8.875%	6/15/2039	$161.86	($0.42)	4.72%	192	(7)	(56)
	MetLife	4.750%	2/15/2021	$116.55	($0.22)	2.40%	103	(4)	(5)
	New York Life	6.750%	11/15/2039	$137.96	($1.17)	4.33%	153	(2)	(10)
	Northwestern Mutual	6.063%	3/15/2040	$127.96	($1.47)	4.30%	146	(2)	1
	Pacific Life	9.250%	6/15/2039	$151.32	$0.26	5.52%	271	(12)	(60)
	Principal	6.050%	10/15/2036	$128.05	($2.04)	4.16%	150	(4)	(32)
	Prudential	4.500%	11/15/2020	$113.93	($0.17)	2.46%	112	(6)	(28)
	TIAA	6.850%	12/15/2039	$137.56	($1.65)	4.43%	161	0	(9)
P&C	ACE INA	5.900%	6/15/2019	$124.76	($0.22)	1.62%	59	(6)	(18)
	Allstate	7.450%	5/15/2019	$131.71	($0.13)	1.86%	86	(4)	(25)
	American Financial	9.875%	6/15/2019	$136.89	$0.21	3.18%	213	(9)	(99)
	Berkshire Hathaway	5.400%	5/15/2018	$119.67	($0.23)	1.33%	55	(2)	(8)
	Travelers	3.900%	11/15/2020	$113.68	($0.36)	1.93%	62	(2)	(3)
	XL Group	6.250%	5/15/2027	$123.53	($0.23)	4.04%	192	(6)	(49)
Other	AON	5.000%	9/15/2020	$117.46	$0.63	2.41%	112	(17)	(20)
	AIG	5.850%	1/15/2018	$117.26	($0.16)	1.98%	129	(2)	8
	Fidelity National	7.875%	7/15/2020	$136.09	($4.57)	-2.18%	(297)	60	(165)
	Hartford	5.500%	3/15/2020	$119.63	($0.05)	2.39%	118	(8)	(55)
	Marsh	9.250%	4/15/2019	$136.42	($0.15)	2.59%	159	(8)	(37)
	Nationwide	9.375%	8/15/2039	$154.42	$2.83	5.45%	265	(23)	(56)
Health	Aetna	3.950%	9/15/2020	$110.24	($0.64)	2.41%	112	2	(8)
	CIGNA	5.125%	6/15/2020	$116.64	($0.27)	2.55%	129	(3)	(15)
	United Healthcare	3.875%	10/15/2020	$110.76	($0.53)	2.29%	98	(0)	2
	Wellpoint	4.350%	8/15/2020	$112.52	($0.19)	2.46%	121	(4)	(17)

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

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