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. Insurance Industry's Investment Exposure to the Financial Sector

Insurance companies are connected to other companies in the financial sector in many ways, including as significant debt and equity investors, and also as customers — depositing money at or trading securities through banks and brokerage firms, for example. Although the degree to which insurance companies are interconnected with other financial institutions is generally less significant than the interconnection among banks and brokerage firms, it has nonetheless been a market concern since the financial crisis in 2008. As such, the Capital Markets Bureau has continued to monitor trends in the U.S. insurance industry's exposure to financial institutions, especially in corporate debt. This special report focuses on the U.S. insurance industry's long-term corporate bond investments in the financial sector as of year-end 2011 and third quarter 2012, and provides recent trends in the corporate bond market.

Financial Sector Exposure

Table 1 illustrates the U.S. insurance industry's $400 billion exposure to the financial sector's long-term corporate bond debt as of Dec. 31, 2011. The three major categories within the financial sector are banking, finance and insurance. Life insurance companies held the majority of the U.S. insurance industry's financial sector exposure at 75.4%, or $302 billion, followed by property/casualty (P/C) companies at 19.8%, or $79 billion. The banking industry (which includes domestic and foreign banks, as well as savings and loans banks) was the largest category in the financial sector at 50.5%, or $202 billion, followed by the finance industry (which includes commercial finance, diversified financial services, investment bankers/brokers, investment management/advisory, leasing companies, and others) at 25.4% and the insurance industry at 24.1%.

The financial sector was 7.7% of the U.S. insurance industry's total cash and invested assets, and 21.8% of total corporate bonds held as of year-end 2011. As a percentage of corporate bond exposure, P/C companies had larger exposures to the financial sector vs. life companies. However, life companies had higher financial exposure as a percentage of cash and invested assets due to their relatively higher allocation to corporate bonds. Banks were the largest exposure within the financial sector, at 11% of total corporate bonds, while finance was 5.5% and insurance was 5.2%.

Table 1: U.S. Insurance Industry Exposure to the Financial Sector: Long Term Coporate Bond Holdings

Year-end 2011 BACV $ in millions	Life	P/C	Health	Fraternal	Title	Total	% of Total Financials	% of Total Corp Bonds
Banking	$144,797	$ 47,333	$ 6,031	$ 3,686	$ 365	$202,211	50.5%	11.0%
Finance	81,323	15,280	2,196	2,639	181	101,619	25.4%	5.5%
Insurance	75,819	16,559	1,476	2,374	131	96,360	24.1%	5.2%
Total Financials	$301,938	$ 79,173	$ 9,703	$ 8,699	$ 678	$400,191	100.0%	21.8%
% of Total Financials	75.4%	19.8%	2.4%	2.2%	0.2%	100.0%		
Financials as a % of Corporate Bonds	20.4%	28.6%	34.7%	18.1%	30.6%	21.8%		
Financials as a % of Cash & Invested Assets	8.8%	5.2%	6.4%	8.3%	8.9%	7.7%		

In addition to corporate bonds, the insurance industry also invests in the common stock and preferred stock of financial companies. The industry's financial stock exposure as of year-end

2011 totaled $21.7 billion, or only 0.42% of total cash and invested assets, and included $15 billion in unaffiliated common stock (P/C, $9.6 billion; life, $4.2 billion) and $6.7 billion in unaffiliated preferred stock (P/C, $4.8 billion; life, $1.7 billion).

Insurers also enter into varying financial transactions — for example, derivatives transactions for hedging purposes — where another financial institution becomes a counterparty, or an entity through which an exposure to financial risk might exist. Insurers' derivatives counterparty exposure was $1,378 billion notional amount as of year-end 2011, as per our special report on derivatives exposure published Jan. 9, 2013. Life insurers dominated, with a notional amount of $1,320 billion (or 96%) of the total U.S. insurance industry's counterparty exposure. The top 10 exposures summed up to 74%, with Deutsche Bank, Credit Suisse, Goldman Sachs, Barclays and JP Morgan being the largest counterparties.

Based on the latest data in Table 2 below, the insurance industry increased its total exposure to the financial sector by 6.5% to $426 billion in the first three quarters of 2012 vs. year-end 2011. However, the exposure as a percentage of total corporate bonds remained relatively unchanged at 21.7%. Although life insurance companies increased their holdings of financial companies on a book/adjust carrying value (BACV) basis, their exposure as a percentage of the industry's total decreased to 73.2% (as of third quarter 2012) due, in part, to a relatively larger increase in financial sector exposure by P/C and health insurers in the first three quarters of 2012.

The breakdown within the financial sector showed less allocation to the banking and insurance industries — with banks decreasing to 45.1% as of third quarter 2012 from 50.5% as of Dec. 31, 2011 — and an increased allocation to the finance industry to 31.6% as of third quarter 2012 from 25.4% as of year-end 2011.

Table 2: U.S. Insurance Industry Exposure to the Financial Sector: Long Term Coporate Bond Holdings

Q3/2012 BACV $ in millions	Life	P/C	Health	Fraternal	Title	Total	% of Total Financials	% of Total Corp Bonds
Banking	$ 131,000	$ 50,267	$ 7,117	$ 3,571	$ 394	$ 192,349	45.1%	9.8%
Finance	104,660	23,179	3,317	3,404	239	134,800	31.6%	6.9%
Insurance	76,140	18,271	1,811	2,551	144	98,917	23.2%	5.0%
Total Financials	$ 311,800	$ 91,718	$ 12,245	$ 9,526	$ 777	$ 426,065	100.0%	21.7%
% of Total Financials	73.2%	21.5%	2.9%	2.2%	0.2%	100.0%		
Financials as a % of Corporate Bonds	19.9%	29.5%	36.2%	17.9%	31.6%	21.7%		

*Cash & Invested Assets as of Q3/2012 not available

Credit Quality Distribution

Overall, the credit quality of life insurers' exposure to the financial sector is strong, with approximately 95.8% being investment grade — NAIC 1 or NAIC 2 designations — for the third quarter 2012 as shown in Table 3. This was unchanged vs. Dec. 31, 2011. However, the mix of NAIC 1 vs. NAIC 2 changed modestly as life insurers increased their exposure to NAIC 2 corporate bonds by 1.7 percentage points from year-end 2011 to third quarter 2012, perhaps to achieve better yields in today's low interest-rate environment. The relatively small increase in NAIC 2 financial exposure is not a significant concern at this time, given the overall improving health of the financial sector. According to Fitch Ratings, the ratio of credit upgrades to downgrades improved in 2012, with rating upgrades of banking and finance sector corporate bonds totaling 4% while downgrades were 8.6%. This was a vast improvement over 2011 results, when upgrades were 3.4% and downgrades were 19.2%. Upgrades to insurance company corporate debt in 2012 were 2.5% vs. 0.6% in downgrades, which was mostly unchanged from 2011's upgrades of 2.9% and downgrades of 0.3%. The increase in NAIC 2 might also be due, in part, to credit rating migrations as, according to Fitch Ratings, banking and finance sector downgrades have continued to outpace upgrades.

Table 3: Life Insurance Industry's Financial Sector Exposure by Credit Quality within Long Term Corporate Bonds								
Q3/2012 BACV in $ millions	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	N/A	Total
Banking	$ 96,685	$ 28,871	$ 4,369	$ 605	$ 210	$ 243	$ 16	$ 131,000
Finance	55,514	42,384	4,785	1,598	286	88	5	104,660
Insurance	39,133	35,849	677	440	14	9	16	76,140
Total Financials	$ 191,333	$ 107,104	$ 9,831	$ 2,644	$ 510	$ 341	$ 38	$ 311,800
% of total Financials	61.4%	34.4%	3.2%	0.8%	0.2%	0.1%	0.0%	100.0%

As of year-end 2011 for life companies, there was $888 million of financial corporate bonds in the two lowest NAIC designations: NAIC 5 ($503 million) and NAIC 6 ($385 million). Other-than-temporary impairments (OTTI) on these bonds were $120.5 million at year-end 2011. Foreign exposure represented approximately 42%, with exposure to financial institutions in the United Kingdom (UK), Germany and Russia representing the top three exposures.

In Table 4 below, as of the third quarter 2012, P/C insurers' allocation to investment grade financial companies was relatively unchanged, with 96.7% as of third quarter 2012 vs. 96.8% as of Dec. 31, 2011. The mix of NAIC 1 vs. NAIC 2 for P/C insurers remained relatively the same, as well, with 75.4% in NAIC 1 and 21.3% in NAIC 2 (vs. year-end 2011's 75.7% and 21.1%, respectively).

Table 4: P/C Company's Financial Sector Exposure by Credit Quality within Long Term Corporate Bonds								
Q3/2012 BACV in $ millions	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	N/A	Total
Banking	$ 44,972	$ 3,884	$ 515	$ 776	$ 5	$ 13	$ 102	$ 50,267
Finance	17,383	4,289	838	385	146	84	53	23,179
Insurance	6,763	11,327	140	29	5	-	7	18,271
Total Financials	$ 69,118	$ 19,500	$ 1,493	$ 1,191	$ 155	$ 98	$ 163	$ 91,718
% of total Financials	75.4%	21.3%	1.6%	1.3%	0.2%	0.1%	0.2%	100.0%

The credit quality of financial sector bonds held by health, fraternal and title insurance companies is also strong, with approximately 96.6% of bonds carrying an NAIC 1 or NAIC 2 designation as of the third quarter 2012, down slightly vs. 97.3% as of year-end 2011. Health, fraternal and title insurers also experienced a slight increase in NAIC 2 and a slight decrease in the NAIC 1 designations, likely to achieve higher yields, as well as due to credit rating migration. Table 5 below summarizes the credit quality of the financial exposure by insurer type.

Table 5: Financial Corporate Bonds								
Industry	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	N/A	Total
Life	61.4%	34.4%	3.2%	0.8%	0.2%	0.1%	0.0%	100.0%
P/C	75.4%	21.3%	1.6%	1.3%	0.2%	0.1%	0.2%	100.0%
Health, Fraternal, and Title	74.6%	22.0%	2.0%	1.0%	0.2%	0.2%	0.1%	100.0%
Q3/2012 Industry Total	65.1%	30.9%	2.8%	1.0%	0.2%	0.1%	0.1%	100.0%
Life	63.2%	32.7%	3.1%	0.7%	0.2%	0.1%	0.0%	100.0%
P/C	75.7%	21.1%	1.7%	1.2%	0.2%	0.1%	0.0%	100.0%
Health, Fraternal, and Title	76.5%	20.8%	1.6%	0.7%	0.2%	0.2%	0.0%	100.0%
Year End 2011 Industry Total	66.3%	29.8%	2.8%	0.8%	0.2%	0.1%	0.0%	100.0%

Maturity Distributions

Table 6 details the maturity profile of the life insurance industry's financial sector exposure, which is heavily weighted in the ">1 year to 5 years," ">5 years to 10 years" and ">20 years" maturities. Life insurers' longer-dated liabilities call for more holdings in longer-term financial corporate bonds; therefore, the three categories with maturities of more than five years totaled 60.6% and the two categories with maturities of less than five years totaled 39.4% as of year-end 2011.

Table 6: Life Companies Corporate Bond Maturities Distribution within the Financial Sector							
Year-End 2011 BACV in $ millions	1 Year or less	>1 year to 5 years	>5 years to 10 years	>10 years to 20 years	>20 years	N/A	Total
Banking	$ 8,713	$ 51,969	$ 44,167	$10,173	$ 29,766	$ 8	$ 144,797
Finance	3,862	25,969	28,589	7,989	14,908	4	81,323
Insurance	4,287	23,954	21,598	5,079	20,901	-	75,819
Total	$ 16,862	$ 101,892	$ 94,354	$23,242	$ 65,576	$ 12	$ 301,938
% of Total	5.6%	33.7%	31.2%	7.7%	21.7%	0.0%	100.0%

As of third quarter 2012, life companies increased the maturities of their financial corporate bond holdings, with the more meaningful changes occurring in the "1 year or less" and the ">10 years to 20 years" maturity ranges. The "1 year or less" category experienced a drop from 5.6% in 2011 to 1.5% in third quarter 2012, while the ">10 years to 20 years" category increased to 12.5% as of third quarter 2012 (vs.7.7% at year-end 2011). The increase in longer maturities could be due, in part, to 1) new issuances having longer average maturities; and/or 2) life insurers investing in longer maturities to take advantage of higher relative yields (please see Table 7 below).

Table 7: Life Companies Corporate Bond Maturities Distribution within the Financial Sector							
Q3/2012 BACV in $ millions	1 Year or less	>1 year to 5 years	>5 years to 10 years	>10 years to 20 years	>20 years	N/A	Total
Banking	$ 2,585	$ 44,462	$ 42,986	$13,371	$ 27,017	$ 579	$ 131,000
Finance	983	29,587	34,950	18,477	15,083	5,581	104,660
Insurance	1,075	22,540	21,759	7,156	22,166	1,443	76,140
Total	$ 4,643	$ 96,589	$ 99,695	$39,005	$ 64,265	$ 7,603	$ 311,800
% of Total	1.5%	31.0%	32.0%	12.5%	20.6%	2.4%	100.0%

Corporations have been taking advantage of the low interest-rate environment and issuing new debt to lock in low rates for longer periods, as it is likely that the Federal Reserve will not lower rates any further. According to the Securities Industry and Financial Markets Association (SIFMA), average maturities of new corporate bond issuance peaked in 2008 at 13.7 years, dropped in 2009 to 12 years and rose back to 13.7 years in 2012 (please see Table 8). Insurers are major participants in the corporate bond new issuance market, and with the longer maturities of new corporate bonds being issued, the maturity profile of their portfolios has been extended.

Table 8: Average Maturities of New Corporate Bond Issuance													
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Avg Maturities Years	7.2	8.9	8.3	8.0	7.4	8.6	10.1	13.5	13.7	12.0	13.0	13.0	13.7
Source: SIFMA Corporate bonds new issuance report													

Table 9 details the maturity profile of the P/C insurance industry's financial sector exposure in 2011, which is heavily weighted in the shorter maturities when compared to life insurers. Financial bonds with maturities up to 10 years totaled 93.9% of the P/C companies' maturities distribution vs. life insurers' maturities distribution, which was 70.5%. P/C companies' shorter liabilities call for more holdings in shorter maturity assets; therefore, bonds with greater than 10 years' maturities were only 6% of the total.

Table 9: P/C Companies Corporate Bond Maturities Distribution within the Financial Sector							
Year-End 2011 BACV in $ millions	1 Year or less	>1 year to 5 years	>5 years to 10 years	>10 years to 20 years	>20 years	N/A	Total
Banking	$ 6,202	$ 27,649	$ 11,238	$ 845	$ 1,392	$ 8	$ 47,333
Finance	2,233	6,965	4,866	408	808	0	15,280
Insurance	7,383	4,595	3,229	361	992	0	16,559
Total	$ 15,818	$ 39,210	$ 19,332	$ 1,613	$ 3,192	$ 8	$ 79,173
% of Total	20.0%	49.5%	24.4%	2.0%	4.0%	0.0%	100.0%

In Table 10, as of the third quarter 2012, P/C insurance companies extended the maturities of their financial corporate bond holdings, as the “1 year or less” and the “>1 year to 5 years” categories experienced declines and the “>5 years to 10 years” and the “>10 years to 20 years” maturities increased. Corporate financial bonds with maturities up to five years decreased from 69.5% as of Dec. 31, 2011, to 53.7% as of third quarter 2012. Bonds with maturities that were more than five years but less than 20 years increased significantly, from 26.4% at year-end 2011 to 39.9% by third quarter 2012. The increase in longer maturities could be due, in part, to 1) new issuances having longer average maturities; and/or 2) P/C insurers investing in longer maturities for their higher yields.

Table 10: P/C Companies Corporate Bond Maturities Distribution within the Financial Sector							
Q3/2012 BACV in $ millions	1 Year or less	>1 year to 5 years	>5 years to 10 years	>10 years to 20 years	>20 years	N/A	Total
Banking	$ 1,388	$ 27,428	$ 16,304	$ 3,505	$ 1,366	$ 277	$ 50,267
Finance	647	8,298	8,880	2,594	1,162	1,598	23,179
Insurance	6,790	4,715	4,203	1,182	1,046	336	18,271
Total	$ 8,825	$ 40,440	$ 29,386	$ 7,281	$ 3,574	$ 2,212	$ 91,718
% of Total	9.6%	44.1%	32.0%	7.9%	3.9%	2.4%	100.0%

As of third quarter 2012, the majority (or 78.5%) of the financial sector bond maturities held by health, fraternal and title insurance companies was 10 years or less. This represents a decrease from 87.9% as of year-end 2011, likely due to similar reasons provided above for life and P/C companies.

Table 11: Financial Corporate Bonds							
Industry	1 Year or less	>1 year to 5 years	>5 years to 10 years	>10 years to 20 years	>20 years	N/A	Total
Life	1.5%	31.0%	32.0%	12.5%	20.6%	2.4%	100.0%
P/C	9.6%	44.1%	32.0%	7.9%	3.9%	2.4%	100.0%
Health, Fraternal, and Title	2.8%	40.9%	34.8%	10.4%	7.9%	3.3%	100.0%
Q3/2012 Industry Total	3.3%	34.3%	32.1%	11.4%	16.3%	2.5%	100.0%
Life	5.6%	33.7%	31.2%	7.7%	21.7%	0.0%	100.0%
P/C	20.0%	49.5%	24.4%	2.0%	4.0%	0.0%	100.0%
Health, Fraternal, and Title	10.8%	45.2%	31.9%	4.4%	7.6%	0.1%	100.0%
2011 Industry Total	8.7%	37.4%	29.9%	6.4%	17.5%	0.0%	100.0%

U.S. Corporate Bond Market Trends and the Financial Sector

U.S. insurance companies are major investors in U.S. corporate bonds, with $1.8 trillion in holdings as of Dec. 31, 2011. According to Fitch Ratings, the financial sector’s exposure within the U.S. corporate bond market peaked at 50.6% in 2007 and has decreased every year thereafter, down to 29.3% in 2012, but still higher than the U.S. insurance industry’s nearly 22% exposure to the financial sector. Although the financial sector represents a smaller slice of the corporate bond markets today than it has in the past, the insurance industry's exposure to these bonds has remained relatively stable in recent years. U.S. insurance companies owned $400 billion of financial corporate bonds as of Dec. 31 2011, which was 21.8% of the total insurance industry's corporate bond holdings. As of third quarter 2012, this exposure grew 6.5% to $426 billion but remained unchanged at 21.7% of total corporate bond exposure. Financial bonds are attractive investments for insurance companies because they are typically liquid and highly rated by the major credit rating agencies. According to Fitch Ratings, for example, the AAA, AA and A-rated financial corporate bonds outstanding in 2012 were 71.2% of the exposure (on an aggregate basis), while BBB was 21.5%, for a total investment grade allocation of 92.7%. The financial sector rating distribution compares favorably to that for non-financials, which was 35.2% for AAA, AA and A-rated (combined), 36.5% for BBB and 28.3% for all non-investment grade-rated.

Fitch Ratings reported that U.S. corporate bond new issuance in 2011 was $683.8 billion (71.5% of which was investment grade), with the financial sector accounting for $197.9 billion (or 28.9%) of total corporate bond new issuance. In 2012, U.S. corporate bond new issuance increased by 32% to $905.6 billion (though the percentage of investment grade corporate bonds decreased slightly to 69.4%). In addition, the U.S. financial sector corporate bond new issuance grew 10.7% in 2012, and decreased to 24.2% of total corporate bond new issuance.

With the increased level of new issuance from the financial sector, insurers found attractive investment opportunities and, thus, increased their exposure to this sector in absolute terms. The Fed has maintained its pledge of not hiking interest rates until 2015, as U.S. economic growth has remained sluggish, Europe and Japan have remained in recession, and China's economic growth rate has decelerated. This has kept yields on government bonds low, and so investors have increased their appetite for higher yielding securities such as corporate bonds. Investors have been comfortable buying corporate bonds due to the improving health of U.S. corporations (i.e., higher earnings and more cash on the balance sheet), including the financial sector. Companies have taken advantage of strong investor demand and, consequently, have taken on more debt, refinanced at lower interest rates and locked in low rates for longer periods.

2013 Outlook for U.S. Banks

According to the Federal Deposit Insurance Corporation (FDIC), banks achieved their second-highest ever net income in 2012 of $141.3 billion, second only to the peak in 2006. The improvement came from reduced provisions for loan losses, higher non-interest income, an increase in servicing income and a reduction in losses on foreclosed property sales. Industry net income bottomed in 2009 at negative $10 billion and net charge-offs peaked at $189 billion in the same year. Net charge-offs began to drastically improve in 2011 and have decreased to $83 billion in 2012. Fitch Ratings has a stable credit outlook for U.S. banks, as the funding, liquidity and capital profiles of banks have been strengthened. Interest rates will likely remain low, which will pressure net interest margins, and regulatory issues (e.g., the federal Dodd-Frank Wall Street Reform and Consumer Protection Act; Basel III) will pressure earnings via higher compliance costs, reduced high margin trading/investment businesses and higher required reserve capital. Notwithstanding, U.S. banks have significantly improved their capital position over the past few years, so they should be better prepared for future challenges. In addition, the recovering U.S. labor and housing markets are expected to continue to bolster bank earnings in 2013.

Summary

The financial sector exposure of insurance companies' long-term corporate bond investments has remained relatively stable in percentage terms from 2011 to third quarter 2012, at nearly 22%. Insurers remain significant investors and holders of corporate bonds, particularly those issued by the financial sector. In terms of credit ratings, investment-grade designations of financial corporate bonds held by U.S. insurance companies were slightly above 96%, but there were slight increases in allocation to NAIC 2 bonds at the expense of NAIC 1 bonds. Maturity profile was extended as more bonds were allocated to the longer-dated maturities. Financial sector revenue and earnings have improved since the recent financial crisis, especially for banks.

The Capital Markets Bureau will continue to monitor and report any changes in the exposure of insurance companies to the financial sector.

April 5, 2013 Major Insurer Share Prices			Change %			Prior		
		Close	Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	$49.78	(4.3)	(4.3)	(5.9)	$52.02	$52.02	$52.89
	Ameriprise	71.04	(3.5)	(3.5)	13.8	73.65	73.65	62.45
	Genworth	9.46	(5.5)	(5.5)	26.2	10.00	10.00	7.49
	Lincoln	30.76	(5.7)	(5.7)	19.4	32.61	32.61	25.77
	MetLife	36.51	(4.0)	(4.0)	11.4	38.02	38.02	32.76
	Principal	33.29	(2.2)	(2.2)	17.3	34.03	34.03	28.38
	Protective	34.66	(3.2)	(3.2)	21.7	35.80	35.80	28.47
	Prudential	55.06	(6.7)	(6.7)	3.7	58.99	58.99	53.09
	UNUM	26.18	(7.3)	(7.3)	26.3	28.25	28.25	20.73
PC	ACE	$88.59	(0.4)	(0.4)	11.4	$88.97	$88.97	$79.50
	Axis Capital	42.17	1.3	1.3	22.4	41.62	41.62	34.46
	Allstate	49.32	0.5	0.5	23.2	49.07	49.07	40.05
	Arch Capital	51.74	(1.6)	(1.6)	18.1	52.57	52.57	43.82
	Cincinnati	47.14	(0.2)	(0.2)	21.0	47.22	47.22	38.95
	Chubb	87.17	(0.4)	(0.4)	16.2	87.53	87.53	75.01
	Everest Re	126.55	(2.6)	(2.6)	15.4	129.86	129.86	109.67
	Progressive	25.18	(0.4)	(0.4)	19.8	25.27	25.27	21.01
	Travelers	83.91	(0.3)	(0.3)	17.3	84.19	84.19	71.53
	WR Berkley	44.45	0.2	0.2	18.2	44.37	44.37	37.59
	XL	30.60	1.0	1.0	22.7	30.30	30.30	24.94
Other	AON	$60.11	(2.3)	(2.3)	8.5	$61.50	$61.50	$55.41
	AIG	38.18	(1.6)	(1.6)	8.2	38.82	38.82	35.28
	Assurant	45.03	0.0	0.0	30.6	45.01	45.01	34.48
	Fidelity National	26.11	3.5	3.5	10.7	25.23	25.23	23.58
	Hartford	25.15	(2.5)	(2.5)	12.3	25.80	25.80	22.39
	Marsh	37.24	(1.9)	(1.9)	8.6	37.97	37.97	34.30
Health	Aetna	$54.00	5.6	5.6	17.0	$51.13	$51.13	$46.17
	Cigna	64.04	2.7	2.7	20.2	62.37	62.37	53.29
	Humana	78.24	13.2	13.2	14.3	69.11	69.11	68.43
	United	62.01	8.4	8.4	14.6	57.21	57.21	54.12
	WellPoint	67.98	2.6	2.6	11.9	66.23	66.23	60.73
Monoline	Assured	$19.87	(3.6)	(3.6)	40.7	$20.61	$20.61	$14.12
	MBIA	10.22	(0.5)	(0.5)	29.0	10.27	10.27	7.92
	MGIC	4.84	(2.2)	(2.2)	79.3	4.95	4.95	2.70
	Radian	10.04	(6.3)	(6.3)	63.3	10.71	10.71	6.15
	XL Capital	30.60	1.0	1.0	22.7	30.30	30.30	24.94

April 5, 2013							
Major Market Variables		**Change %**			**Prior**		
	Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Dow Jones Ind	14,516.55	(0.4)	(0.4)	10.8	14,578.54	14,578.54	13,099.80
S&P 500	1,548.35	(1.3)	(1.3)	8.9	1,569.19	1,569.19	1,422.10
S&P Financial	241.58	(1.6)	(1.6)	9.2	245.41	245.41	221.17
S&P Insurance	224.90	(1.7)	(1.7)	12.6	228.71	228.71	199.67
US Dollar $		**Change %**			**Prior**		
/ Euro	$1.30	1.5	1.5	(1.4)	$1.28	$1.28	$1.32
/ Crude Oil bbl	92.59	(4.8)	(4.8)	1.1	97.23	97.23	91.62
/ Gold oz	1,575.40	(1.2)	(1.2)	(5.9)	1,594.80	1,594.80	1,673.70
Treasury Ylds %	**%**	**Change bp**			**%**	**%**	**%**
1 Year	0.13	0.00	0.00	(0.01)	0.13	0.13	0.14
10 Year	1.68	(0.17)	(0.17)	(0.08)	1.85	1.85	1.76
30 Year	2.84	(0.26)	(0.26)	(0.11)	3.10	3.10	2.95
Corp Credit Spreads -bp		**Change %**			**Prior**		
CDX.IG	41.92	(3.3)	(3.3)	(26.5)	43.33	43.33	57.04

April 5, 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	$136.02	$0.58	2.16%	120	6	(7)
	Ameriprise	5.300%	3/15/2020	$120.14	$1.38	2.16%	101	0	(17)
	Genworth	6.515%	5/15/2018	$114.34	$0.31	3.43%	266	4	(124)
	Lincoln National	8.750%	7/15/2019	$136.15	$0.65	2.45%	148	6	(36)
	MassMutual	8.875%	6/15/2039	$158.61	$4.77	4.88%	217	7	(32)
	MetLife	4.750%	2/15/2021	$115.89	$1.39	2.50%	119	3	11
	New York Life	6.750%	11/15/2039	$138.37	$4.10	4.31%	160	7	(3)
	Northwestern Mutual	6.063%	3/15/2040	$127.76	$3.94	4.31%	157	7	12
	Pacific Life	9.250%	6/15/2039	$148.64	$4.16	5.66%	296	6	(35)
	Principal	6.050%	10/15/2036	$128.31	$4.16	4.15%	162	5	(19)
	Prudential	4.500%	11/15/2020	$113.31	$1.26	2.56%	126	3	(15)
	TIAA	6.850%	12/15/2039	$137.06	$4.44	4.46%	175	6	5
P&C	ACE INA	5.900%	6/15/2019	$124.73	$0.68	1.67%	69	5	(8)
	Allstate	7.450%	5/15/2019	$131.89	$0.56	1.89%	94	6	(17)
	American Financial	9.875%	6/15/2019	$136.01	$0.56	3.37%	237	7	(75)
	Berkshire Hathaway	5.400%	5/15/2018	$119.92	$0.50	1.34%	60	3	(3)
	Travelers	3.900%	11/15/2020	$113.64	$1.49	1.95%	68	(2)	3
	XL Group	6.250%	5/15/2027	$121.16	$1.71	4.24%	224	9	(17)
Other	AON	5.000%	9/15/2020	$116.16	$1.74	2.61%	133	(4)	1
	AIG	5.850%	1/15/2018	$117.59	$0.38	1.96%	130	4	10
	Fidelity National	7.875%	7/15/2020	$136.50	$7.49	-2.15%	(290)	(101)	(159)
	Hartford	5.500%	3/15/2020	$118.32	$1.33	2.61%	142	(3)	(30)
	Marsh	9.250%	4/15/2019	$134.47	($0.26)	2.95%	185	10	(11)
	Nationwide	9.375%	8/15/2039	$150.63	$4.03	5.66%	292	5	(30)
Health	Aetna	3.950%	9/15/2020	$110.61	$1.73	2.38%	114	(5)	(6)
	CIGNA	5.125%	6/15/2020	$116.28	$1.25	2.62%	143	1	(1)
	United Healthcare	3.875%	10/15/2020	$110.92	$1.39	2.28%	102	2	6
	Wellpoint	4.350%	8/15/2020	$112.05	$1.50	2.54%	133	1	(5)

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