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**

The Insurance Industry's Exposure to Commercial Mortgage Lending and Commercial Real Estate Investments: An Overview (Part I)

The U.S. insurance industry, primarily through its life insurance segment, has been a longstanding capital resource to the commercial real estate (CRE) market through its mortgage lending operations, with $302 billion in commercial mortgage loans outstanding as of Dec. 31, 2011. The industry's exposure to commercial mortgage loans represents more than 50% of its exposure to commercial real estate-oriented investments (see Figure 1). According to the Mortgage Bankers Association (MBA), as of March 31, 2012, the life insurance industry owned approximately 13% of the $2.4 trillion in outstanding commercial mortgage loans, forming an important part of the life insurance industry's invested assets and constituting 8.7% of the life industry's cash and invested assets as of Dec. 31, 2011. The holdings of the industry are concentrated, with more than 50% of the life insurance industry's commercial mortgage loan holdings held by 10 insurance groups. The insurance industry's commercial mortgage loan holdings have performed well since the financial crisis began in 2008. While life insurers have incurred modest commercial mortgage loan-related investment losses during 2009 and 2010, the investment performance of life insurer-owned commercial mortgage loans has remained favorable compared to commercial mortgage loans owned by other types of investors during this same time period, as measured by delinquency rates reported by sources such as the MBA. According to a study published by analysts at the Federal Reserve Board, commercial mortgage loans originated by life insurers that are then included as part of a commercial mortgage-backed securities (CMBS) transaction exhibited "superior performance" from a credit perspective when compared to loans originated by other types of lenders.

Figure 1

Insurance Industry Commercial Real Estate Oriented Investments (billions of dollars)

	2010	2011	% change
Commercial Mortgage Loans			
Life Insurance	$283.4	$297.7	5.0%
Property & Casualty Insurance	$3.9	$4.5	15.4%
Real Estate Investment Trusts	$25.9	$31.1	20.1%
Real Estate Owned (Schedule A)	$36.0	$37.2	3.3%
Real Estate Owned (Schedule BA)	$24.3	$29.3	20.6%
Commercial Mortgage-Backed Securities	$171.6	$161.9	-5.7%
Total	$545.1	$561.7	3.0%

This two-part series of special reports discusses the insurance industry's involvement with CRE and commercial mortgage loan investing. Part I is an overview of the insurance industry's involvement in a range of CRE-related asset classes including commercial mortgage loans. Part II, which will be published shortly, is a discussion of the characteristics and results of the life insurance industry's commercial mortgage loan holdings and their relative importance to the insurance industry.

The Insurance Industry's Exposure to Commercial Mortgage Loans

By far, the largest share of the insurance industry's CRE exposure is held by life insurers in their direct commercial mortgage loan programs. In these programs, life insurers lend on income-producing CRE properties, taking a mortgage on the real estate that serves as the loan's collateral. These loans are typically "non-recourse," meaning that the lender can only look to the collateral, and not the owner/developer, for loan repayment.

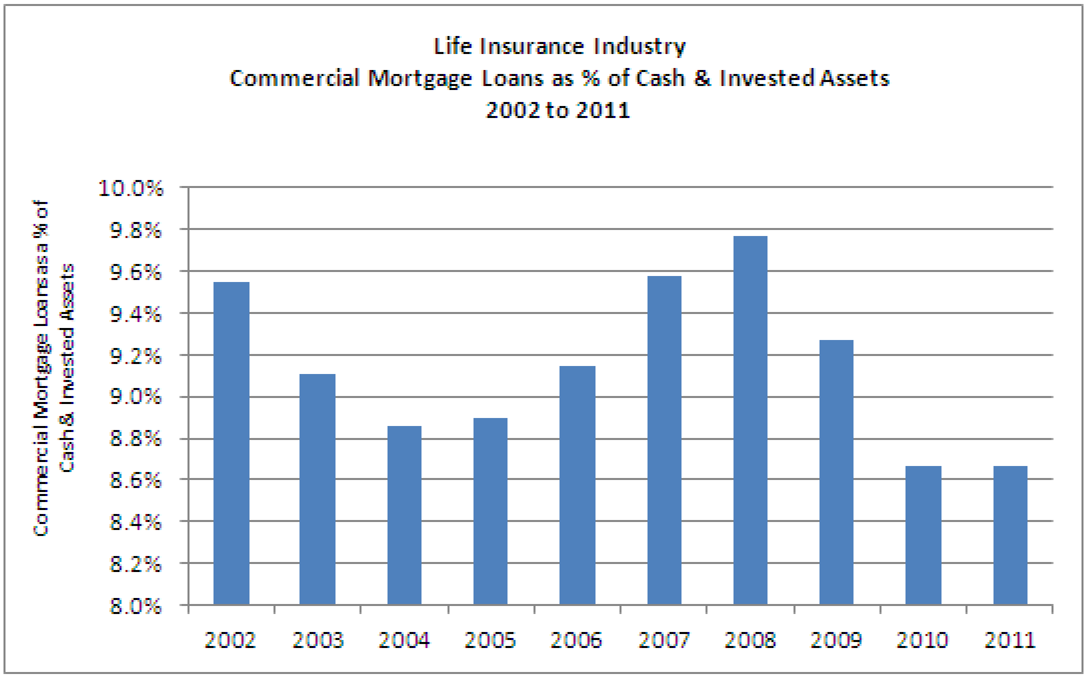
Figure 2

Commercial Mortgage Loan Holdings
Book/Adjusted Carrying Value and Average Yield
(billions of dollars)

	2007	2008	2009	2010	2011
Life Insurance Industry					
Book/Adjusted Carrying Value	$288.7	$300.5	$291.3	$283.4	$297.7
% of Cash & Invested Assets	9.6%	9.8%	9.3%	8.7%	8.7%
Average Yield	6.18%	5.97%	5.84%	5.95%	5.73%
Property and Casualty Industry					
Book/Adjusted Carrying Value	$4.2	$4.4	$4.0	$3.9	$4.5
% of Cash & Invested Assets	0.3%	0.3%	0.3%	0.3%	0.3%
Average Yield	6.32%	5.92%	5.91%	6.01%	5.61%

As shown in Figure 2, the life insurance industry's total commercial mortgage loan portfolio has been near $300 billion for several years on a book/adjusted carrying value (BACV) basis. As shown in Figure 3, it has been slightly less than 10% of the industry's total cash and invested assets in recent years and was 8.7% of cash and invested assets as of Dec. 31, 2011 — still below its peak of 9.8% in 2008. The percentage of cash and invested assets has fluctuated in recent years, primarily in response to the industry's view regarding the attractiveness of commercial mortgage loans as an asset class. In addition, the percentage of cash and invested assets that these loans constitute is subject to erosion from existing loans paying down and maturing. Unless new loans are originated, the exposure to this asset type automatically declines.

Figure 3



The property/casualty (P&C) industry has a much smaller commercial mortgage loan exposure. As shown in Figure 2, the P&C industry's absolute dollar volume of outstanding commercial mortgage loans is less than 2% of the life insurance industry's volume. It has also shown no meaningful volume growth in recent years. Commercial mortgage loans as a percentage of the P&C industry's cash and invested assets is low, at 0.3% of cash and invested assets as of Dec. 31, 2011, compared to 8.7% for the life insurance industry. Commercial mortgage loans are less attractive to P&C companies for a variety of reasons, including their greater need for liquidity, their shorter investment horizon and their need for tax-sheltered investment income.

Given the heavy orientation to life insurers in the industry's commercial mortgage lending activities, the remainder of this section focuses on life companies' commercial mortgage loan activities. Other forms of insurers (such as health, title and fraternal insurers) are less significant participants in this sector due to their small asset size.

Life insurers have a variety of reasons for investing in commercial mortgage loans for three primary reasons: (1) to increase the level of asset type diversification in their investment portfolio; (2) to match long-term assets with long-term liabilities, because commercial mortgage loans are generally long-term with fixed interest rates and almost always include prepayment (call) protections; and (3) to minimize credit losses, because, based on historical experience, commercial mortgage loans have had modest realized credit losses. According to data published by American Council of Life Insurers (ACLI), commercial mortgage loans originated by life insurers in the first quarter of 2012 were viewed as relatively conservative investments, with an average loan-to-value (LTV) ratio on a new commitment of 60% and an average debt service coverage (DSC) ratio of 1.99 times.

As shown in Figure 4, since the financial crisis erupted in 2008, life insurance companies' ability to invest in commercial mortgage loans on their own terms has considerably improved, benefitting from lessened bank and CMBS involvement. This has enabled the insurance industry to increase its commercial mortgage loan lending volume and to attain a 5% increase in the dollar amount of commercial mortgage loans outstanding during 2011, without a noticeable degradation in overall loan quality. Life insurer origination of commercial mortgage loans has increased over the past few years: by 87% from 2008 to 2009, and by 48% from 2009 to 2010. Despite the increase in commercial mortgage loan originations and volumes during 2011, the industry's commercial mortgage loans as a percentage of cash and invested assets remained unchanged (at 8.7%) from 2010's level. Both the industry's overall cash and invested assets and commercial mortgage loan holdings grew by 5% during 2011. While life insurance companies continue to originate additional commercial mortgage loans and expand their holdings, they have generally been unwilling to forgo credit quality to do so.

Figure 4

Life Insurance Industry Commercial Mortgage Investments
2005 to 2011
(billions of dollars)

Year	Investments	% change from prior year
2005	$43.17	-
2006	$44.08	2.1%
2007	$42.69	-3.2%
2008	$26.67	-37.5%
2009	$16.39	-38.5%
2010	$30.71	87.4%
2011	$45.52	48.2%

Source: ACLI Commercial Mortgage Commitments, Fourth Quarter 2011

The industry's commercial mortgage loan holdings' average yield has declined in recent years and decreased to 5.73% in 2011 from 5.95% in 2010, due to the overall low level of interest rates. As older vintage, higher yielding commercial mortgage loans mature, they are being replaced by newly originated loans with lower interest rates. This dynamic is affecting all fixed-income segments of insurers' investment portfolios. Average commercial mortgage loan portfolio yields are likely to continue declining in coming years, as long as interest rates remain at today's low levels.

Insurance Industry's Other Forms of CRE Exposure

In addition to commercial mortgage loans, the insurance industry also owns CRE-related debt investments via CMBS, as well as unsecured bonds issued by real estate investment trusts (REITs), and both self-occupied real estate and investment real estate owned for the production of income.

After direct commercial mortgage loans, the industry's second largest CRE exposure is in CMBS, which was $162 billion, or 29% of the total CRE exposure as of Dec. 31, 2011. CMBS prices have been volatile, and they have experienced elevated delinquency levels. However, some comfort is derived with respect to insurance industry CMBS investments in that they are often in the most senior triple-A rated tranches with considerable credit enhancement. The life insurance industry reported $1.1 billion of other-than-temporary impairments (OTTI) on its CMBS investments during 2011. The industry's CMBS exposure decreased as of year-end 2011, from $172 billion as of Dec. 31, 2010. The industry's CMBS exposure has been shrinking along with the size of the overall CMBS market, as CMBS maturities have exceeded issuance since the financial crisis. Since 2009, CMBS new issuance has been increasing, but at a slow pace and at a much lower volume than the 2007 market peak.

As of Dec. 31, 2011, the insurance industry owned $31 billion of unsecured debt issued by REITs on a BACV basis, up from $26 billion held on Dec. 31, 2010. Figure 5 shows a list of the

industry's 10 largest REIT debt exposures as of Dec. 31, 2011. Note that the $18.0 billion of the top 10 REIT holdings comprises 58% of the industry's total REIT exposure as of that date.
Figure 5

Total Insurance Industry
Largest Real Estate Investment Trust Debt Holdings Ranked by Size
December 31, 2011
(millions of dollars)

Issuing Real Estate Investment Trust	Book/Adjusted Carrying Value	Percentage	Ratings S&P	Ratings Moody's
Simon Property Group Inc	$3,895	13%	A-	A3
Equity Residential	$3,890	13%	BBB+	Baa1
Boston Properties Inc	$1,883	6%	A-	Baa2
HCP Inc	$1,676	5%	BBB	Baa2
Health Care REIT Inc	$1,498	5%	BBB-	Baa2
CommonWealth REIT	$1,144	4%	BBB-	Baa2
Duke Realty Corp	$1,097	4%	BBB-	Baa2
AvalonBay Communities Inc	$1,068	3%	BBB+	Baa1
Realty Income Corp	$923	3%	BBB	Baa1
Liberty Property Trust	$922	3%	BBB	Baa1
Total for Top 10	$17,996	58%		
Remainder of REIT holdings	$13,118	42%		
Total	$31,114	100%		

As shown in Figure 6, the insurance industry owned $37.2 billion of directly owned real estate — reported in Schedule A statutory filings — as of Dec. 31, 2011. This is estimated to be approximately 0.5% of the $6.8 trillion in U.S. institutional grade commercial real estate universe, according to Prudential Real Estate Investors. Institutional grade commercial real estate generally refers to high-grade office, retail, multifamily or warehouse/distribution facilities of the size and quality that attract long-term institutional capital. These assets are typically well-located within primary and secondary markets, have superior construction, design and maintenance, have stable high-quality tenants and are considered among the best properties in the market in which they compete. This investment class is nearly evenly split between real estate occupied by the company for its own business purposes and real estate held for investment purposes and the production of income. Only 2% of the industry's real estate owned is considered held for sale. Held-for-sale properties are likely the result of foreclosures on mortgages where the underlying property has not yet been disposed after the foreclosure occurred.
Figure 6

Total Insurance Industry Real Estate Owned by Investment Objective
December 31, 2011
(billions of dollars)

	Type of Insurance Company				
	Life	P&C	All Other	Total	Percentage
Properties occupied by the company	$5.7	$8.9	$5.7	$20.3	55%
Properties held for the production of income	$14.6	$1.2	$0.4	$16.2	43%
Properties held for sale	$0.3	$0.3	$0.2	$0.8	2%
Total	$20.6	$10.4	$6.2	$37.2	100%
Percentage of industry's real estate holdings	55%	28%	17%	100%	
Percentage of C&IA	0.60%	0.69%	2.35%	0.71%	

Note: Includes only real estate owned reported on Schedule A. It does not include real estate owned in the form of partnerships that are reported on Schedule BA in the amount of $24.3 billion as of December 31, 2010.

Approximately 55% of the industry's directly owned real estate is held by life companies. The preponderance (or 71%) of the real estate owned by life insurers, are investments held for the production of income. Almost all of the industry's remaining real estate is self-occupied and is used in the operation of the insurer's business. The remaining $300 million in properties are classified as held for sale and are primarily foreclosures that have not been yet sold. Properties owned and occupied by insurers include home office complexes, data centers and field offices. The amount of real estate owned by the P&C industry is much smaller, at about half the size of the amount of real estate owned by life insurers. In addition, unlike the life industry, P&C insurers own little real estate for investment purposes. The P&C industry's real estate is heavily self-occupied and used for its own operations. The P&C industry's ownership of real estate is about the same percentage of cash and invested assets as is the life industry exposure. However, it is a much smaller percentage of the industry's surplus because P&C companies usually have much larger surplus positions than life companies with an equivalent asset base. For the three other sectors of the industry (health, title and fraternal), their exposure to real estate owned is a higher percentage of cash and invested assets, at 2.35% on an aggregate basis, than for the life or P&C sectors. However, more than 90% of this real estate is company-occupied for business purposes, and is not held primarily for investment purposes. This ratio is high because these three insurer types have relatively small asset bases, so even modest real estate exposures become a larger percentage of cash and invested assets than is the case for a more asset-heavy company.

Figure 7

Insurance Industry Real Estate Owned by Insurance Sector
(billions of dollars)

	2007	2008	2009	2010	2011	% change 2011/2010
Life Insurance	$19.6	$20.0	$19.5	$19.7	$20.6	4.6%
Property & Casualty Insurance	$10.6	$10.9	$10.7	$10.3	$10.4	1.2%
Other	$4.7	$4.9	$5.4	$6.0	$6.2	3.6%
Total	$35.0	$35.9	$35.6	$36.0	$37.2	3.5%
Percentage of C&IA	0.74%	0.77%	0.74%	0.72%	0.71%	

Figure 7 shows the amount of real estate owned by the insurance industry for the five-year period from 2007 to 2011. As the figure illustrates, the industry's ownership of equity real estate during this period has been stable, increasing by approximately 6%. Real estate owned by the industry as a percentage of cash and invested assets has been fairly constant during this time period, ranging between 0.71% and 0.77%.

Insurance companies also own various forms of real estate-related investments, as reported in Schedule BA statutory filings, which include other long-term assets that are not reported in their other investment schedules, such as indirect investments held in the form of joint ventures, partnerships and limited liability companies. As of Dec. 31, 2011, the insurance industry reported $29.2 billion in real estate-related investments on Schedule BA, with the majority of this amount owned by life insurance companies.

Lastly, the insurance industry has a small exposure to direct farm and residential mortgage lending. These are non-CRE-related investments and are not included in this report and are not material in amount.

CMBS and Its Impact on the Commercial Mortgage Lending Market

The CRE market and its financing arrangements were subject to significant change prior to the financial crisis, particularly in terms of sources of commercial mortgage loan origination. They were subject to change once again both during and after the financial crisis. The most important of these changes was the growth and subsequent decline of the CMBS market as a source of funds for prospective CRE borrowers.

For decades, the life insurance industry has been an important lender to the CRE market, especially for mortgage loans on larger and higher profile properties. However, insurers were not large lenders during the CMBS market peak due to concerns about the loans' credit quality. Insurance company commercial mortgage loan originations have been focused on credit quality, and less on the volume of loans originated, because the insurer generally holds the loan to maturity, thereby assuming its credit risk.

The yield spread required for a commercial mortgage loan to be economic for inclusion in a CMBS transaction is sensitive to changing market conditions. As the CMBS market deteriorated during and after the financial crisis, the spread over Treasury demanded by CMBS investors increased as they demanded additional spread for assuming increased credit risk. To be included in a CMBS transaction, a commercial mortgage loan must earn a yield sufficiently above the weighted average coupon of the CMBS transactions' tranches. More recently, CMBS spreads have declined as investors have become more comfortable with this asset class, as the underlying commercial mortgage loan credit quality has improved due to more stringent underwriting standards. At times in the recent past, life insurance companies were believed able to offer interest rates on commercial mortgage loans that were 50 basis points to 100 basis points lower than those required to make a loan economic for inclusion in a CMBS transaction.

During the early- to mid-2000s, CMBS lenders substantially relaxed their lending terms, resulting in an increase in their lending volume. During the late 2000s, large amounts of debt and equity capital also entered the CRE market, inflating property values, increasing the number of real estate property sales and raising the demand for debt financing. A large proportion of commercial mortgage loans originated at this time were originated for inclusion in a securitized CMBS transaction. Because these loans were made with the intention of repackaging and transferring credit risk to a CMBS — rather than retaining the loan and its associated credit risk on the originator's balance sheet — the loan originator's concerns were primarily focused on its ability to get the loan included in a CMBS transaction. Since the financial crisis, the volume of new lending by the CMBS market has declined substantially, and the insurance industry has become a more competitive CRE funding source.

The differences in lending practices between insurers and CMBS originators is also reflected in the wide variations in delinquency rates for insurance company vs. CMBS commercial mortgage loans. As of Dec. 31, 2011, 60+ day delinquencies for insurance company commercial mortgage loans was 0.7%, and the comparable rate for CMBS commercial mortgage loans was 9.06%.

Rising Commercial Mortgage Loan Losses Since the Financial Crisis

Investors, notably subordinate and mezzanine CMBS bondholders, have experienced substantial losses due to credit quality deterioration from the underlying mortgages since the beginning of the financial crisis. Senior CMBS bondholders have absorbed only limited losses on their CMBS holdings to date. Life insurers' commercial mortgage loan credit losses have been modest during this period because of more conservative underwriting practices. Insurers generally focused their CRE lending on high-quality properties with stable income streams and low debt levels. As a result, when CRE market values retreated post-crisis, the insurance industry incurred more muted increases in realized investment losses than did CMBS-oriented lenders. Life insurers' total reported investment losses from commercial mortgage loans over the period from 2008 to 2011 were $4.4 billion.

Specific factors that contributed to elevated levels of commercial mortgage loan credit losses include: (1) elevated LTV ratios based on cyclically high property values during a rising real estate market; (2) underwriting loans based on pro-forma income streams assuming rising rents rather than in-place income streams; (3) extended interest-only payment periods exacerbating refinancing risks on bullet mortgages upon their maturity; and (4) loans being made on inferior quality assets — occupied by lower-quality tenants or in poor markets — and to lower-quality borrowers.

Commercial banks also experienced credit quality deterioration with their commercial mortgage loans lending. However, bank-originated commercial mortgage loans generally performed better from a credit loss perspective than CMBS commercial mortgage loans, although the bank commercial mortgage loans performed more poorly than insurers' commercial mortgage loans.

The Capital Markets Bureau will continue to monitor trends within the commercial real estate market and its impact on the U.S. insurance industry, and expects to publish Part II of this series shortly.

October 22, 2012

Major Insurer Share Prices

			Change %			Prior		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Life	Aflac	$49.90	3.7	16.6	15.3	$48.14	$42.81	$43.26
	Ameriprise	58.10	3.8	11.1	17.0	55.96	52.29	49.64
	Genworth	5.68	3.8	(0.5)	(13.3)	5.47	5.71	6.55
	Lincoln	25.24	6.2	18.0	29.9	23.76	21.38	19.42
	MetLife	35.94	2.7	17.5	15.3	35.00	30.60	31.18
	Principal	28.32	5.2	8.5	15.1	26.92	26.11	24.60
	Protective	27.19	4.4	(7.6)	20.5	26.05	29.43	22.56
	Prudential	57.79	3.1	19.9	15.3	56.05	48.21	50.12
	UNUM	20.49	3.7	5.8	(2.8)	19.75	19.37	21.07
PC	ACE	$80.60	4.7	8.4	14.9	$77.01	$74.35	$70.12
	Axis Capital	37.22	4.3	11.3	16.5	35.67	33.43	31.96
	Allstate	42.17	3.8	19.9	53.8	40.61	35.17	27.41
	Arch Capital	44.51	3.4	11.3	19.5	43.06	40.00	37.23
	Cincinnati	39.56	3.0	3.2	29.9	38.40	38.34	30.46
	Chubb	80.32	4.3	9.9	16.0	76.99	73.06	69.22
	Everest Re	111.50	2.1	6.3	32.6	109.24	104.94	84.09
	Progressive	22.72	2.3	10.0	16.5	22.20	20.66	19.51
	Travelers	73.71	7.3	15.3	24.6	68.72	63.95	59.17
	WR Berkley	38.71	4.8	(1.5)	12.6	36.94	39.30	34.39
	XL	25.45	1.9	21.0	28.7	24.98	21.03	19.77
Other	AON	$52.46	(1.4)	10.8	12.1	$53.19	$47.35	$46.80
	AIG	35.35	(0.3)	11.2	52.3	35.46	31.78	23.20
	Assurant	40.90	3.9	17.4	(0.4)	39.38	34.84	41.06
	Fidelity National	22.69	0.8	17.5	42.4	22.52	19.31	15.93
	Hartford	21.96	3.0	26.2	35.1	21.33	17.41	16.25
	Marsh	33.99	(1.0)	4.7	7.5	34.34	32.48	31.62
Health	Aetna	$44.04	1.8	14.3	4.4	$43.25	$38.53	$42.19
	Cigna	50.07	0.7	16.7	19.2	49.71	42.92	42.00
	Humana	75.85	1.4	(1.1)	(13.4)	74.82	76.66	87.61
	United	56.25	(1.4)	0.1	11.0	57.07	56.17	50.68
	WellPoint	62.81	1.6	0.8	(5.2)	61.83	62.31	66.25
Monoline	Assured	$13.87	(2.0)	(1.2)	5.6	$14.15	$14.03	$13.14
	MBIA	10.29	(2.5)	(5.5)	(11.2)	10.55	10.89	11.59
	MGIC	2.00	20.2	(32.0)	(46.5)	1.66	2.94	3.73
	Radian	4.72	8.5	39.2	101.7	4.35	3.39	2.34
	XL Capital	25.45	1.9	21.0	28.7	24.98	21.03	19.77

October 22, 2012

Major Market Variables

			Change %			Prior		
		Close	**Week**	**QTD**	**YTD**	**Week**	**Quarter**	**Year**
Dow Jones Ind		13,345.89	0.1	3.7	9.2	13,328.85	12,871.39	12,217.56
S&P 500		1,428.92	0.0	4.8	13.6	1,428.59	1,363.98	1,257.60
S&P Financial		216.86	1.9	9.3	23.8	212.78	198.44	175.23
S&P Insurance		201.77	2.3	10.7	18.6	197.31	182.21	170.17
US Dollar $			**Change %**			**Prior**		
	/ Euro	$1.31	0.8	3.7	0.7	$1.30	$1.26	$1.30
	/ Crude Oil bbl	88.73	(3.4)	6.1	(10.2)	91.86	83.62	98.83
	/ Gold oz	1,728.30	(1.7)	8.1	10.3	1,758.00	1,598.90	1,566.80
Treasury Ylds %		%	**Change bp**			%	%	%
	1 Year	0.18	0.01	(0.02)	0.08	0.18	0.20	0.11
	10 Year	1.82	0.16	0.23	(0.06)	1.66	1.59	1.88
	30 Year	2.97	0.14	0.28	0.08	2.83	2.70	2.90
Corp Credit Spreads -bp			**Change %**			**Prior**		
	CDX.IG	54.42	(10.1)	(35.2)	(52.2)	60.50	83.99	113.83

October 22, 2012
Major Insurer Bond Yields

	Company	Coupon	Maturity	Current	Weekly Change: Price Change	Yield	Spread B.P.	Spread Change
Life	Aflac	8.500%	5/15/2019	$134.87	($0.21)	2.67%	144	(14)
	Ameriprise	5.300%	3/15/2020	$117.39	($0.73)	2.69%	127	(6)
	Genworth	6.515%	5/15/2018	$104.24	$0.69	5.62%	461	(25)
	Lincoln National	8.750%	7/15/2019	$131.57	($0.58)	3.42%	215	(9)
	MassMutual	8.875%	6/15/2039	$153.05	$0.70	5.18%	231	(18)
	MetLife	4.750%	2/15/2021	$115.84	($0.72)	2.61%	105	(6)
	Mutual of Omaha	6.800%	6/15/2036	$123.96	$0.08	5.05%	241	(13)
	New York Life	6.750%	11/15/2039	$139.10	$0.05	4.29%	143	(13)
	Northwestern Mutual	6.063%	3/15/2040	$130.42	($0.23)	4.19%	131	(11)
	Pacific Life	9.250%	6/15/2039	$138.77	($1.70)	6.24%	341	(1)
	Principal	6.050%	10/15/2036	$123.17	($0.33)	4.47%	178	(11)
	Prudential	4.500%	11/15/2020	$111.20	($0.12)	2.93%	135	(20)
	TIAA	6.850%	12/15/2039	$139.60	($0.40)	4.35%	149	(10)
P&C	ACE INA	5.900%	6/15/2019	$124.09	($0.86)	2.01%	77	(4)
	Allstate	7.450%	5/15/2019	$131.33	($0.46)	2.28%	104	(12)
	American Financial	9.875%	6/15/2019	$128.09	($3.03)	4.87%	359	22
	Berkshire Hathaway	5.400%	5/15/2018	$121.52	($0.38)	1.36%	35	(10)
	Travelers	3.900%	11/15/2020	$112.80	($0.72)	2.15%	57	(12)
	XL Group	6.250%	5/15/2027	$118.36	$0.85	4.52%	229	(25)
Other	AON	5.000%	9/15/2020	$115.92	($0.88)	2.75%	123	(8)
	AIG	5.850%	1/15/2018	$117.31	($0.13)	2.31%	140	(11)
	Fidelity National	7.875%	7/15/2020	$124.38	$0.08	0.04%	(94)	(16)
	Hartford	5.500%	3/15/2020	$115.55	$0.90	3.14%	175	(26)
	Marsh	9.250%	4/15/2019	$136.02	($0.64)	3.07%	182	(8)
	Nationwide	9.375%	8/15/1939	$141.77	($0.02)	6.17%	329	(14)
Health	Aetna	3.950%	9/15/2020	$108.59	($0.86)	2.73%	121	(6)
	CIGNA	5.125%	6/15/2020	$116.61	$0.05	2.70%	130	(16)
	United Healthcare	3.875%	10/15/2020	$110.05	($0.50)	2.48%	101	(6)
	Wellpoint	4.350%	8/15/2020	$110.44	($0.69)	2.85%	136	(5)

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