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 Year-End 2015 Exposure to Securities Lending and Repurchase Agreements and Regulatory Update

U.S. insurers' exposure to securities lending and repurchase agreements (repos) has not significantly changed in recent years. Insurers that engage in securities lending activity not only have exposure to the lent securities, but also to the securities that were purchased with the collateral (termed the "reinvested collateral") that was posted by the counterparties in exchange for the lent securities. The NAIC Capital Markets Bureau last published an update on this aforementioned exposure on Dec. 5, 2014, in a special report titled, "Update on U.S. Insurance Industry Exposure to Securities Lending and Repurchase Agreements." It included an update on the U.S. insurance industry's exposure to securities lending reinvested collateral, securities lent and repos, as well as a review of related accounting amendments and regulatory trends at that time. Initially, two special reports were published in July 2011, with the first one being an introduction to the U.S. insurance industry's exposure to securities lending, followed by a second report that discussed securities lent by insurers. This special report serves as an update on the U.S. insurance industry's exposure to securities lending and repos as of year-end 2015, as well as an update on regulatory trends.

Securities Lent

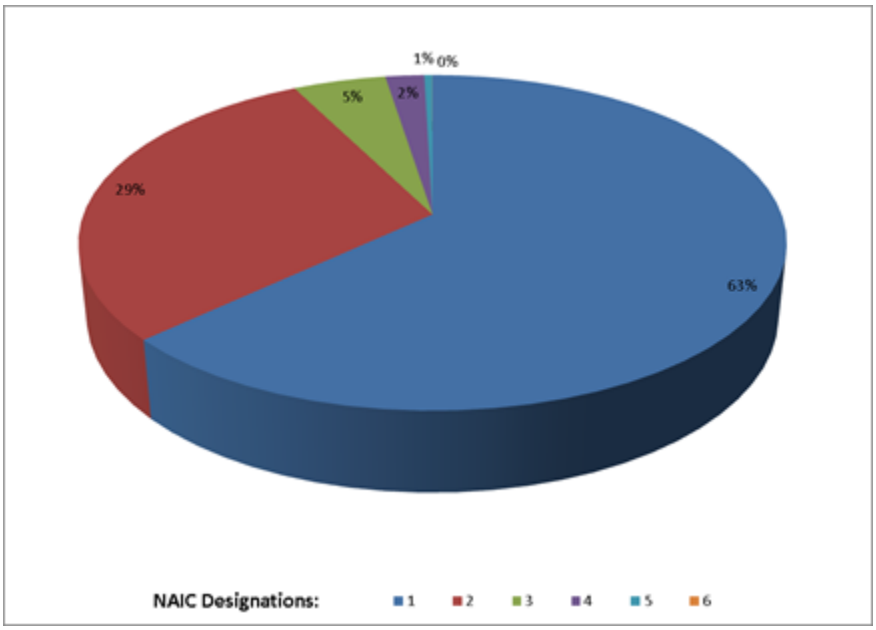
At year-end 2015, U.S. insurers reported $79.6 billion in securities associated with securities lent, representing an increase from about $76 billion at year-end 2014. In comparison, insurers reported about $80 billion in securities associated with securities lent in 2013. Note that for year-end 2015, approximately $77.7 billion of the securities associated with securities lent were bonds; $1.9 billion were common equity (of which 94% was unaffiliated; the remainder in mutual funds) and $18 million were short-term investments (as reported in Schedule DA). As published by the NAIC Capital Markets Bureau in previous special reports, the amount reported by insurers as securities lent to borrowers (i.e., counterparties) represents the book/adjusted carrying value (BACV) of securities *associated* with securities lent; that is, the insurers did not necessarily lend out the full amount; rather, they may have only lent a portion of the reported line item and for which they received collateral from the counterparties. Table 1 shows the securities that were associated with securities lent as of year-end 2015. Approximately 90% consisted of corporate bonds and U.S. government bonds (compared to 87% in 2014). And about 92% of the bonds carried NAIC 1 and NAIC 2 designations (see Chart 1) as of year-end 2015. Life companies accounted for the majority (80%) of securities associated with securities lent.

Lending securities represents a low-risk, effective way for insurers to achieve short-term financing. In addition, securities lent also helps insurers obtain additional yield, which is needed in the continued low interest rate environment.

Table 1: Securities Associated with Securities Lent by U.S. Insurers, Dec. 31, 2015 ($mil BACV)

Asset Type	Life	P/C	Fraternal	Title	Health	Total	% of Total
Corporate Bonds	37,703	3,540	3,755	1,138	-	46,136	58%
US Government	21,922	4,520	-	263	-	26,704	34%
Foreign Government	1,856	222	16	2	-	2,095	3%
Agency-backed RMBS	1,357	-	-	-	-	1,357	2%
Hybrid Securities	418	11	13	65	-	507	1%
Municipal Bonds	101	658	-	21	-	779	1%
ABS and Other Structured Securities	139	10	3	1	-	153	0%
Agency-backed CMBS	-	4	-	-	-	4	0%
Private-label CMBS	-	10	-	-	-	10	0%
Common Stock	149	1,035	519	-	199	1,902	2%
Insurer Type Total	**63,644**	**10,010**	**4,306**	**1,489**	**199**	**79,647**	**100%**
Insurer Type Total/Total (%)	80%	13%	5%	2%	0%	100%	

Chart 1: Securities Associated with Securities Lent – NAIC Designations, Dec. 31, 2015



As of year-end 2015, about 40% of bonds associated with securities lent had maturities of up to five years, followed by 30% maturing between six and 10 years (Table 2). This compares similarly to the maturities of insurers' reinvested collateral.

Table 2: Maturity of Securities Associated with Securities Lent, Dec. 31, 2015 ($mil BACV)

Insurer Type	1yr or Less	1yr to 5yrs	6yrs to 10yrs	11yrs to 20yrs	Greater than 20yrs	N/A	Total
Fraternal	263.4	1,290.1	2,006.9	83.9	129.2	12.8	3,786.3
Life	8,909.7	17,337.7	17,563.7	3,930.4	15,753.7	-	63,495.1
P/C	1,420.5	2,553.3	3,148.9	774.9	1,062.7	14.9	8,975.2
Heath	140.0	630.8	527.6	47.7	142.7	-	1,488.8
Total	**10,733.5**	**21,811.9**	**23,247.1**	**4,836.8**	**17,088.3**	**27.6**	**77,745.4**
% of Total	14%	28%	30%	6%	22%	0%	100%

Securities Lending Reinvested Collateral

Securities lending agreements require a borrower to post collateral in either cash or securities. As securities lending agreements are short-term in nature, for U.S. insurers, collateral received is typically reinvested into short-term, liquid and high-quality investments, such as U.S. government bonds, corporate bonds, and cash and cash equivalents. U.S. insurers utilize securities lending as a low-risk investment strategy, earning a modest income through fees

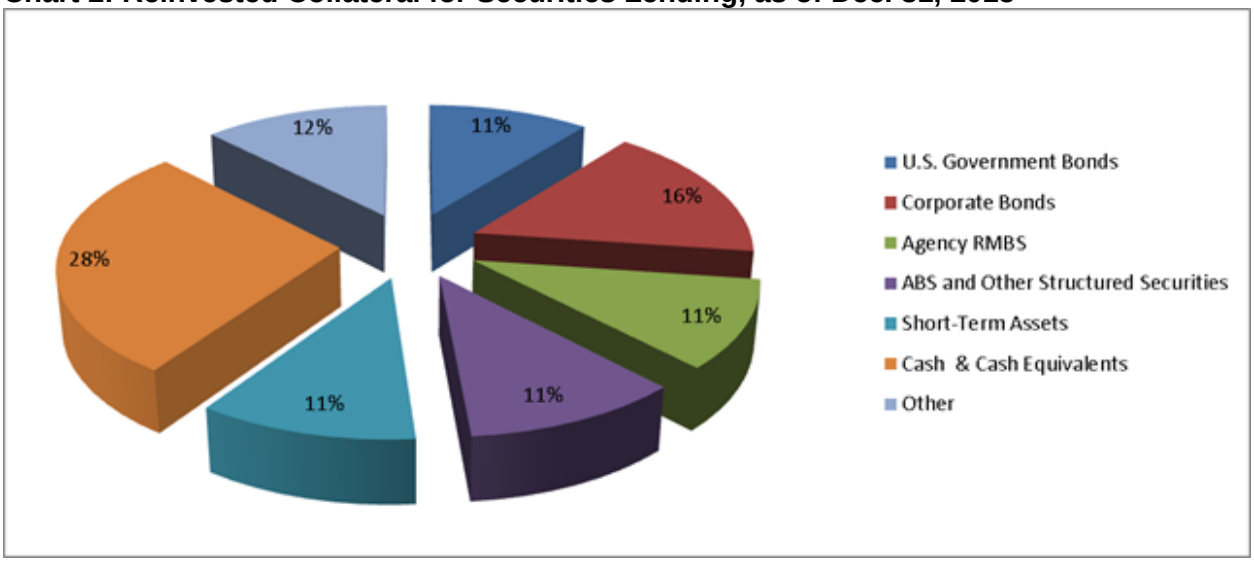
charged to borrowers. As detailed in *Statement of Statutory Accounting Principles (SSAP) No. 103—Accounting for Transfers and Servicing of Financial Assets,* when engaging in securities lending activity, a reporting entity must receive and maintain adequate collateral; otherwise, the lent securities are nonadmitted in the statutory financial statements.

U.S. Insurance Industry Exposure

U.S. insurer exposure to securities lending agreements has fluctuated since 2008, but it has been declining since 2013. Perhaps this is due to uncertainty relative to regulatory changes specific to both securities lending and repos for broker-dealers—the primary counterparties in these transactions—because this activity is a form of leverage for banks. In addition, there has been less trading by broker-dealers, and, therefore, less of a need for short-term borrowing of securities. As of year-end 2015, the U.S. insurance industry had $55 billion in BACV exposure to reinvested collateral for securities lending, a relatively small exposure that was approximately 1% of the U.S. insurance industry's total cash and invested assets of $5.8 trillion as of year-end 2015. One insurance company group accounted for half of the total U.S. insurance industry's exposure to securities lending reinvested collateral at year-end 2015; the 10 largest groups accounted for 80%. Life companies accounted for 90% of securities lending activity (measured by total reinvested collateral), followed by property/casualty (P/C) companies at 6%.

U.S. insurer exposure to reinvested collateral from securities lending activity has been on a declining trend over at least the past few years; it was down from about $59 billion in 2014 and $61 billion at year-end 2013. As shown in Chart 2, the majority of securities lending reinvested collateral was in cash and cash equivalents at year-end 2015, with a BACV of about $15.5 billion (or 28% of total reinvested collateral). In general, short-term investments (i.e., cash, cash equivalents and short-term investments) accounted for 40% of total reinvested collateral at year-end 2015. Other reinvested collateral consisted of lesser amounts of corporate bonds, agency residential mortgage-backed securities (RMBS), and asset-backed securities (ABS) and other structured securities. Unaffiliated common stock represented only 1% of total reinvested collateral as of year-end 2015.

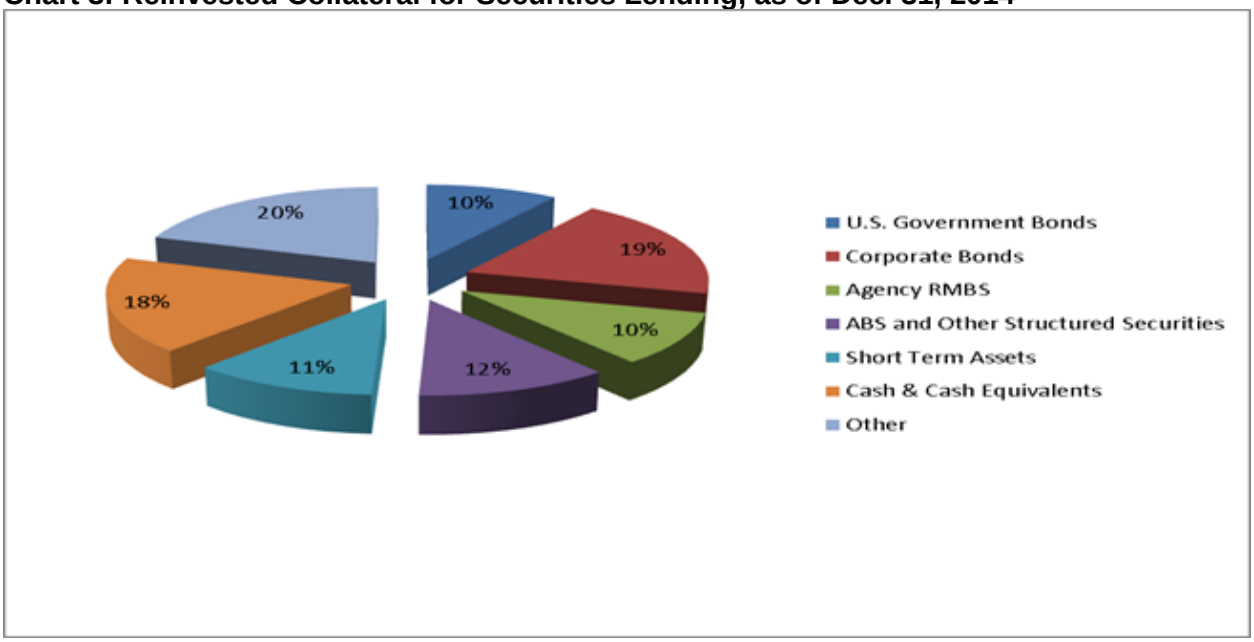
Chart 2: Reinvested Collateral for Securities Lending, as of Dec. 31, 2015



In comparison, at year-end 2014, cash and cash equivalents was the second-largest asset type for reinvested collateral at 18%; the largest asset type was corporate bonds at 19% of total reinvested collateral (see Chart 3). A noteworthy observation between the two years is an increase in more liquid reinvested collateral from 2014 to 2015. That is, there was an increase in cash and cash equivalents, as well as in U.S. government bonds (from 10% of reinvested assets in 2014 to 11% in 2015), with a coinciding decrease in corporate bonds to 16% of

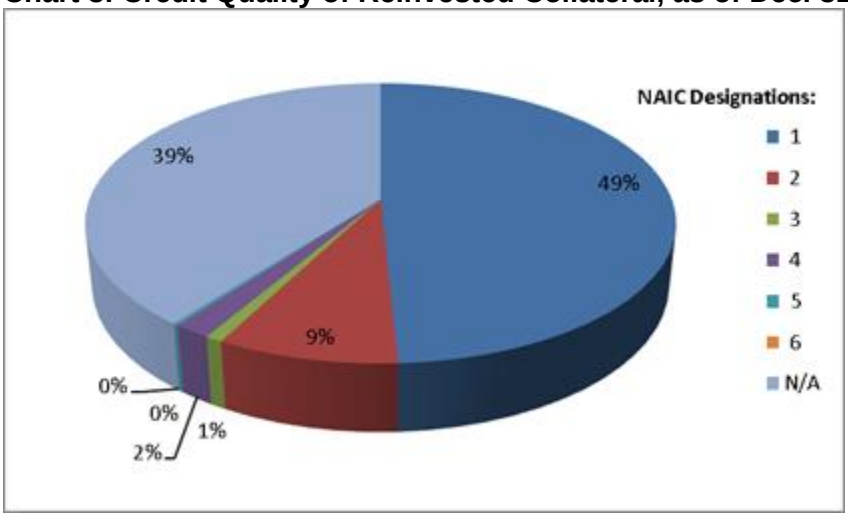
reinvested collateral from 19%—perhaps due to conservative investing and concerns regarding market value volatility of certain investments based on prior experiences immediately preceding the financial crisis.

Chart 3: Reinvested Collateral for Securities Lending, as of Dec. 31, 2014



In 2015, almost half of the reinvested collateral was the highest credit quality, as indicated by NAIC 1 designations (shown in Chart 3). A large proportion of the reinvested collateral did not have reported designations (or they were not assigned); this is not surprising, given that a large proportion included cash and cash equivalents, which, in addition to short-term investments, are not assigned NAIC designations.

Chart 3: Credit Quality of Reinvested Collateral, as of Dec. 31, 2015



Reported data as of year-end 2015 showed that about half of U.S. insurers' reinvested collateral matures in less than one year, with another 13% maturing in up to five years (Table 3). The shorter duration means less market value risk, which is appropriate given the short-term nature of the securities lending agreements. About 14% of reinvested collateral matures in more than 20 years; the longer duration implies potential vulnerability of the collateral to market volatility, but cause for concern is mitigated given the relatively smaller percentage.

Table 3: Maturity of Reinvested Collateral, Dec. 31, 2015 ($mil BACV)

Insurer Type	Less than 1yr	1yr to 5yrs	6yrs to 10yrs	11yrs to 20yrs	Greater than 20yrs	N/A	Total
Life	23,585,585	6,797,401	4,121,082	5,084,579	7,547,043	2,200,590	49,336
P/C	2,292,366	18,125	2,705	5,575	136,140	607,769	3,063
Health	1,014,739	194,094	14,984	5,385	17,233	126,636	1,373
Fraternal	1,076,897	85,822	3,806	5,498	95,544	-	1,268
Total	**26,893**	**7,010**	**4,139**	**5,096**	**7,700**	**2,935**	**55,040**
% of Total	49%	13%	8%	9%	14%	5%	

SSAP No. 103 guidance specifies that securities lending collateral that can be sold or repledged by the transferor or its agent (insurer) shall be reflected on balance sheet, along with the obligation to return the collateral. Collateral received that may *not* be sold or repledged (i.e., it must be held and returned), is not reported on the balance sheet (i.e., it is "off balance sheet"). On-balance-sheet collateral is treated the same as other insurer assets in terms of valuation and risk-based capital. For reinvested collateral, summary information is required to allow for identifying potential liquidity constraints related to potential duration mismatches.

Repurchase Agreements

Similar to securities lending in that they are economically a form of secured financing, repos represent commitments whereby insurers sell securities to a counterparty in exchange for cash, and agree to repurchase the same (or substantially the same) securities back from the counterparty on an agreed-upon date and at an agreed-upon price. Similar to securities lending, SSAP No. 103 requires a reporting entity to receive and maintain adequate collateral for repurchase and reverse repurchase transactions. Repos serve as a way for insurers to raise short-term cash and access low-risk cash flow. According to statutory accounting rules within SSAP No. 103, repos are most often accounted for as collateralized borrowings, meaning the securities sold by the insurer continue to be accounted for as an investment owned by the insurer. Recognition of collateral received depends on the type of collateral (cash or security) and whether the reporting entity sells/transfers the collateral. If certain conditions are met as described in SSAP No. 103, repos may be accounted for as a sale of financial assets and a forward repurchase commitment. Currently, disclosure revisions to SSAP No. 103 regarding repos (and reverse repos) are being considered to enhance and improve information available to regulators.

U.S. Insurance Industry Exposure

As of year-end 2015, the U.S. insurance industry had approximately $25 billion reported in securities associated with repurchase agreements, compared to $21.4 billion at year-end 2014 and $20.3 billion in 2013. Similar to securities lent, the amount reported by insurers for repos represents the BACV of securities *associated* with repo activity; that is, the insurers did not necessarily lend out the full amount of the securities; rather, they may have only lent a portion of the reported line item for which they received collateral from a counterparty. This report update does not account for reverse repo exposure, as it was less than 1% of the U.S. insurance industry's total repo activity. Table 4 identifies the types of securities associated with repurchase agreements involving U.S. insurers in 2015. U.S. government securities represented the majority, at almost 60% of total securities associated with repurchase agreements. While U.S. government securities are highly liquid, the ability of the counterparty to source the same, or substantially the same, securities to return back to the insurer at the end of the repo agreement term, at the predetermined price (usually overnight), could pose a risk . In addition, agency-backed RMBS and municipal bonds accounted for 15% of total securities associated with repurchase agreements sold by insurers to counterparties. All of the securities associated with repurchase agreements were investment grade, with 91% having an NAIC 1 designation.

Table 4: Securities Associated with Repurchase Agreements by U.S. Insurers, Dec. 31, 2015 ($mil BACV)

Bond Type	Life	P/C	Health	Total	% of Total
U.S. Government	14,796	12	-	14,808	58%
Corporate Bonds	6,438	-	-	6,438	25%
Agency-backed RMBS	2,681	-	-	2,681	11%
Municipal Bonds	1,023	78	37	1,137	4%
ABS and Other Structured Securities	18	-	-	18	0%
Agency-backed CMBS	78	-	-	78	0%
Foreign Government	183	-	-	183	1%
Hybrid Securities	46	-	-	46	0%
Private-label RMBS	90	-	-	90	0%
Other Short-Term Invested Assets	-	0	19	19	0%
Total	**25,352**	**89**	**56**	**25,497**	**100%**

In comparison, at year-end 2014, securities associated with repo activity totaled about $22.3 billion, with U.S. government securities also representing the largest proportion, at 52% of the total. Bonds receiving U.S. government support and municipal bonds were 20% of the total. The largest four types of securities from 2014 to 2015 remained unchanged, but there was a noticeable trend toward increasing the amount of U.S. government securities, with a coinciding decrease (albeit small) in corporate bonds.

Table 5: Securities Associated with Repo Agreements by U.S. Insurers, Dec. 31, 2014 ($mil BACV)

Bond Type	Life	P/C	Health	Total	% of Total
U.S. Government	11,475.3	9.3	-	11,484.6	52%
Corporate Bonds	6,175.6	-	-	6,175.6	28%
Agency-backed RMBS	2,685.6	100.8	-	2,786.5	13%
Municipal Bonds	1,454.0	14.7	6.8	1,475.5	7%
ABS and Other Structured Securities	13.8	-	-	13.8	0%
Agency-backed CMBS	41.7	-	-	41.7	0%
Foreign Government	53.6	-	-	53.6	0%
Hybrid Securities	111.8	-	-	111.8	1%
Private-label RMBS	3.3	-	-	3.3	0%
Money Market Mutual Funds	-	7.9	-	7.9	0%
Other Short Term Assets	-	10.0	98.4	108.3	0%
Total	**22,014.9**	**142.7**	**105.1**	**22,262.8**	**100%**

Securities Lending and Repo Market Activity and Regulatory Trends

Market Activity

Securities Lending

As of March 2016, securities on loan relative to securities lending agreements were estimated to be about $2 trillion globally—slightly higher than the estimated value a year prior. In December 2015, the U.S. share was about 54%—a post-2008 financial crisis high—but has since decreased to 51% as of March 2016, according to the Financial Stability Oversight Council (FSOC) 2016 Annual Report (Chart 5).

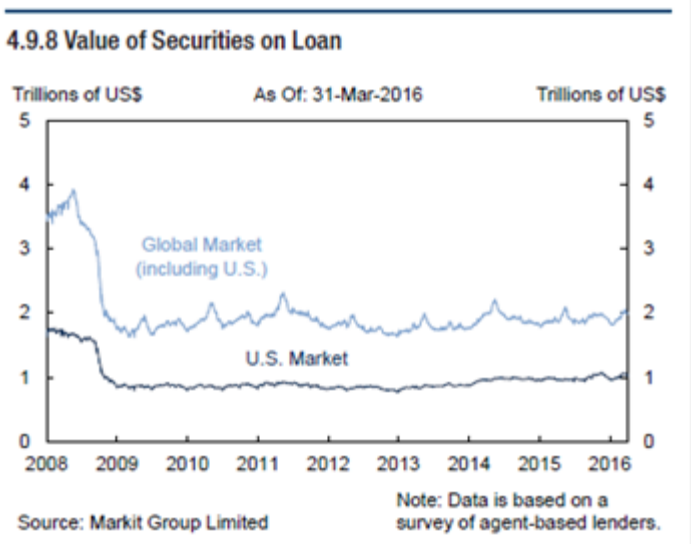


Chart 5: Source: FSOC 2016 Annual Report.

Also according to the FSOC 2016 Annual Report, government bonds and equities comprised the largest proportion of global securities lent, at 85% of total securities lent (see Chart 6); as of March 2016, the share of equities was 49% of the total, exceeding government bonds (not surprising given the rally in the stock market), which accounted for about 38% of total securities lent. For U.S. insurers, this trend is not the case, but U.S. insurers are not considered the most active securities lenders. The FSOC 2016 Annual Report cites retirement funds, mutual funds and government bodies (including central banks) as the most active lenders.

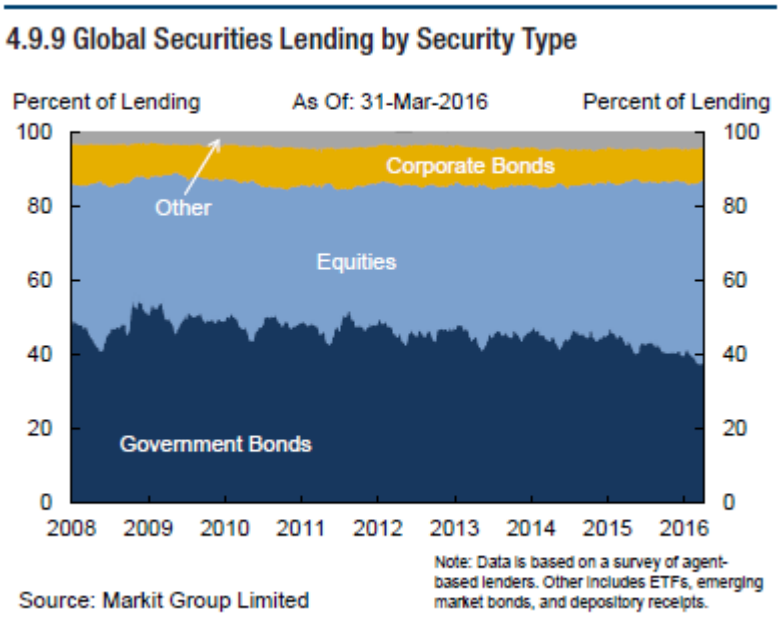


Chart 6: Source: FSOC 2016 Annual Report.

Repos – Bilateral and Tri-Party

The repo market consists of two segments: 1) bilateral repos, where two repo counterparties' custodian banks are responsible for clearing and settling trades; and 2) tri-party repos, where a third-party custodian bank serves as intermediary between the two counterparties. Currently,

JPMorgan Chase and Bank of New York Mellon are the primary asset servicers that act as intermediaries for tri-party repos. Total bilateral U.S. repo activity ranged between $2.0 trillion and $2.3 trillion for the 12 months ended March 2016, after reaching a pre-crisis peak in 2007 around $4.5 trillion (see Chart 7).The tri-party repo market was estimated to be between $1.5 trillion and $1.7 trillion as of March 31, 2016, relatively unchanged from the year prior after declines in 2013. The number of tri-party repo agreements, however, decreased to 7,485 as of March 2016 compared to 7,859 in March 2015. U.S. insurers engage in both bilateral and tri-party repos.

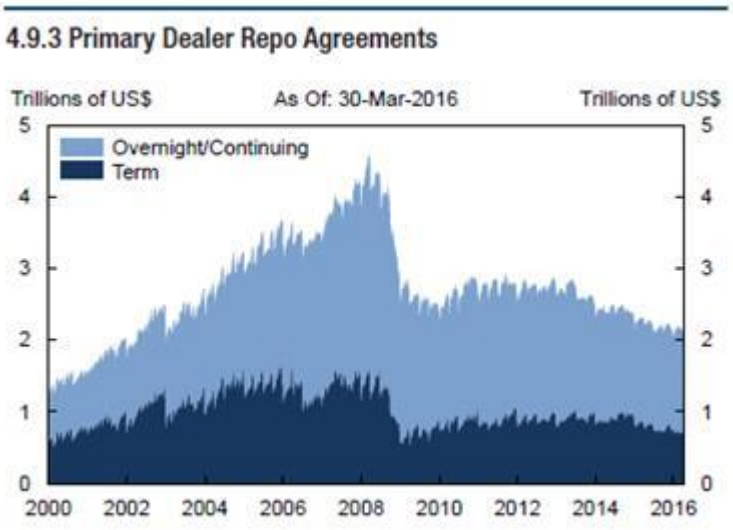
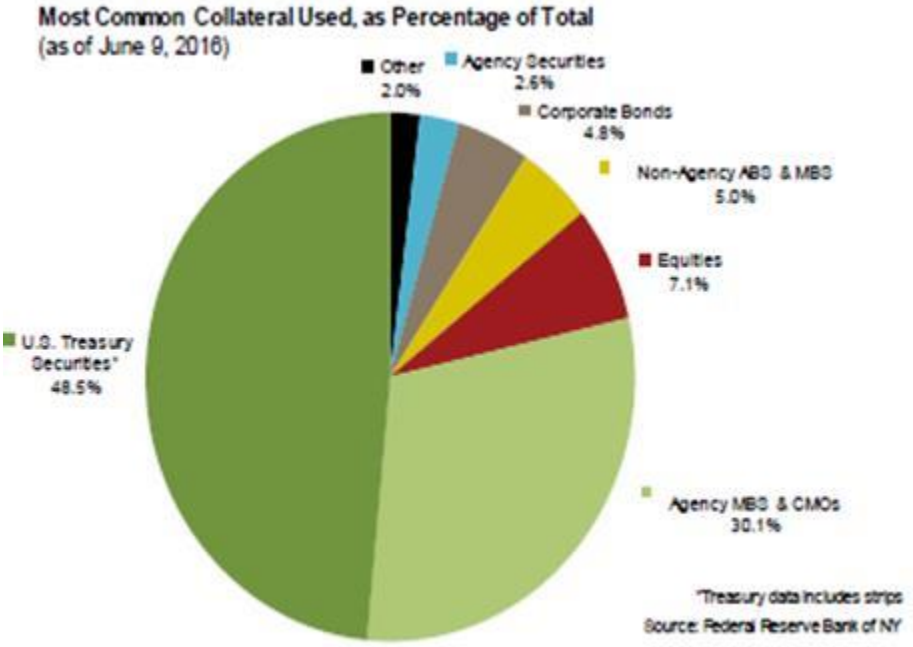


Chart 7: Source: FSOC 2016 Annual Report.

According to Securities Industry and Financial Markets Association (SIFMA) data, as of June 2016, the majority of repo collateral securities (48.5%) was in U.S. Treasuries (similar to the U.S. insurance industry), followed by about 30% in agency mortgage-backed securities (MBS) and collateralized mortgage obligations (see Chart 8). Altogether, U.S. Treasuries, agency securities (e.g., Fannie Mae and Freddie Mac) and agency MBS accounted for 80% of total repo collateral.

Chart 8: Repo Collateral



Source: SIFMA.

As Chart 9 shows, historically U.S. Treasuries have been the largest component of repo collateral, followed by MBS. When the repo market is highly liquid, it allows for primary dealers to act as market makers; that is, they are able to finance an inventory of securities, or source securities that are missing from inventory, to meet secondary market demands (thereby contributing to a highly liquid secondary market for these securities).

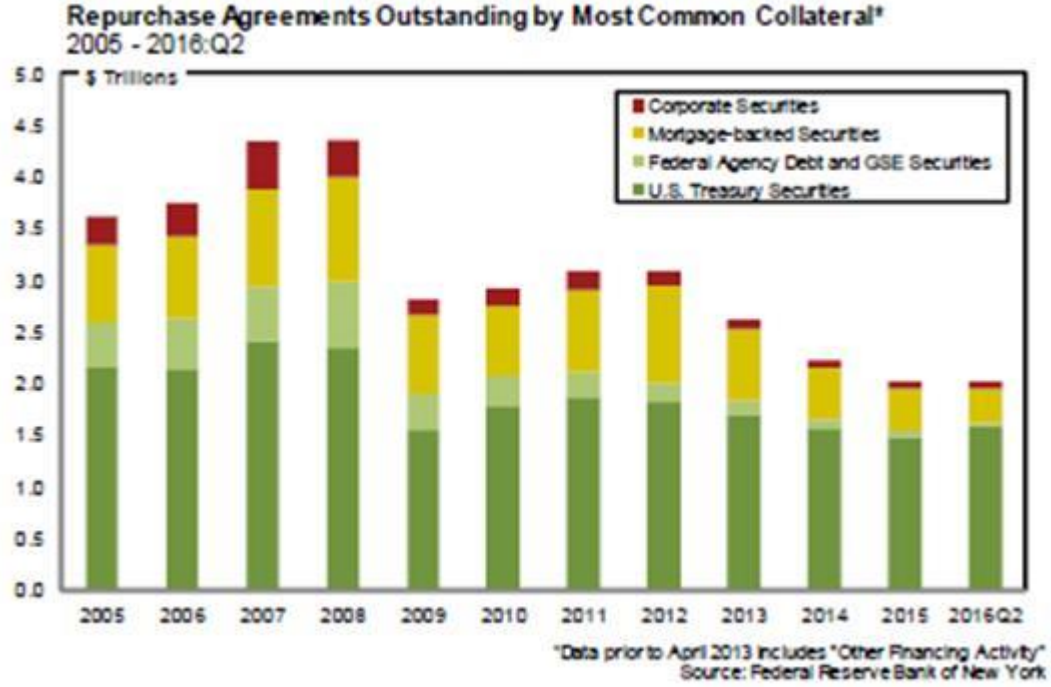


Chart 9:
Source: SIFMA.

The repo market has proven functional and reliable, even through the financial crisis. Investors on both sides of the transaction "…benefit from operational efficiency, security, and low funding costs…" according to a repo market fact sheet published by SIFMA. The repo market also has standardized documentation that is widely utilized and accepted by participants, lending further comfort to engaging in these transactions.

Regulatory Trends with Securities Lending and Repos

The U.S. insurance industry's exposure has been minimal (securities associated as a percentage of total cash and invested assets) and has not changed significantly over the past few years. However, securities lending and repo agreements play a significant role in the U.S. financial markets. The size of the securities lending market is difficult to ascertain due to a lack of comprehensive data; estimates differ depending on the source. As such, regulators encourage consistent data reporting from firms involved in securities lending activity. In 2014, the U.S. Department of the Treasury's Office of Financial Research (OFR), together with the U.S. Securities and Exchange Commission (SEC), initiated a data collection pilot in the securities lending and repo markets aimed at improving data availability and transparency. According to the FSOC 2016 Annual Report, nine bank holding companies voluntarily participated in the pilot program, reporting trades in bilateral repos and securities lending agreements. The first part of the pilot program involved collecting data relative to bilateral repo activity, which ended in the first quarter of 2015. The second portion of the pilot involved collecting data relative to securities lending activity and was completed in the first quarter of 2016. Interestingly, the FSOC 2016 Annual Report stated that "The participating dealers [in the pilot] reported that counterparties sometimes preferred to use a securities lending contract when negotiating an exchange of cash for collateral, perhaps reflecting differences in prevailing market practice or regulatory requirements." Initial results from the data collection suggest that bilateral repo collateral is largely comprised of U.S. government securities, while securities lending collateral has more equities and corporate debt collateral (in addition to U.S. government securities accounting for the largest share of its collateral). Because of this pilot, progress has been made with regard to transaction-level data collection for bilateral repo activity—a critical sector of the overall repo market. According to a brief published by the OFR in January 2016, prior to the 2008 financial crisis, U.S. regulators and policymakers "had only limited access to data on repo activity, which impeded their ability to identify emerging risk in these markets and make well-informed policy decisions." The brief also included details on the data collected thus far. Without the necessary data, understanding potential financial stability risks involved in the securities lending and repo markets is challenging. While the pilot provided a useful understanding of the securities lending and bilateral repo market infrastructure, more comprehensive coverage is still needed related to data quality. In addition, consistency with reporting, concepts and requirements between bilateral repos and tri-party repos is desired, which, in turn, is expected to improve data quality and reduce data reporting burdens. Any impact on U.S. insurers relative to conclusions drawn from this pilot program is yet to be determined, but it is not expected to have significant implications.

In November 2015, the Financial Stability Board (FSB) published a report regarding new standards and processes for data collection and aggregation for secured financing transactions such as securities lending agreements and repos. In part to mitigate concerns over possible maturity and liquidity mismatch exposures with reinvested collateral, these new standards are "…needed for authorities to obtain a more timely and comprehensive perspective on developments in these markets and detect financial stability risks." In turn, the enhanced data collection will also promote transparency in these markets. The report published by the FSB "defines the data elements for repos, securities lending and margin lending that national/regional authorities will be asked to report as aggregates to the FSB for financial stability purposes." A global data collection and aggregation is expected to be initiated by the FSB at the end of 2018. While the Statutory Accounting Principles (E) Working Group is

currently considering enhanced statutory accounting disclosures to provide information to state insurance regulators about securities lending and repo activities, these requirements are not anticipated to meet the same needs that the FSB is striving to address, which are focused on financial stability issues and not the solvency of individual insurers.

Summary

Since the last special report published on the securities lending and repo markets by the NAIC Capital Markets Bureau in 2014, U.S. insurer exposure to securities lending reinvested collateral increased. Reinvested collateral from securities lending agreements was $55 billion as of year-end 2015; and securities associated with securities lent totaled almost $80 billion. U.S. insurer exposure to securities associated with repo agreements, on the other hand, steadily increased to about $25.5 billion at year-end 2015 (from $20.3 billion in 2014). Securities lending and repo activity are a very small percentage of U.S. insurer overall investment activity, and the securities that collateralize these investments are highly liquid and have the highest credit quality. But, given the size of the overall securities lending and repo market activity, it continues to draw attention from a financial stability perspective, particularly with banking regulators. To promote transparency relative to these investments, initiatives have been made by regulatory bodies via a pilot data collection program, as well as in terms of reporting standards.

The NAIC Capital Markets Bureau will continue to monitor trends and developments in the securities lending and repo markets and report as deemed appropriate.

September 2, 2016 Major Insurer Share Prices			Change %			Prior		
		Close	Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	$74.08	1.8	2.4	23.7	$72.75	$72.37	$59.90
	Ameriprise	100.98	2.7	12.4	(5.1)	98.34	89.81	106.42
	Genworth	4.84	4.8	88.7	29.8	4.62	2.57	3.73
	Lincoln	48.10	3.3	24.1	(4.3)	46.58	38.76	50.26
	MetLife	43.28	3.6	9.7	(10.2)	41.79	39.47	48.21
	Principal	49.01	1.6	19.2	9.0	48.26	41.10	44.98
	Prudential	79.60	2.6	12.2	(2.2)	77.57	70.93	81.41
	UNUM	35.37	1.8	11.9	6.2	34.74	31.61	33.29
PC	Axis Capital	56.96	1.4	4.9	1.3	56.20	54.31	56.22
	Allstate	68.90	0.8	(1.0)	11.0	68.32	69.60	62.09
	Arch Capital	81.62	3.0	14.2	17.0	79.26	71.44	69.75
	Cincinnati	77.73	2.0	4.3	31.4	76.20	74.55	59.17
	Chubb	127.71	1.4	(1.9)	(3.7)	125.91	130.15	132.64
	Everest Re	192.48	1.3	6.2	5.1	190.08	181.16	183.09
	Progressive	32.49	0.8	(2.2)	2.2	32.24	33.21	31.80
	Travelers	118.76	1.4	0.1	5.2	117.14	118.68	112.86
	WR Berkley	58.76	0.9	(0.9)	7.3	58.25	59.32	54.75
	XL	34.79	3.9	4.8	(11.2)	33.50	33.21	39.18
Other	AON	$111.99	1.8	1.9	21.5	$110.03	$109.90	$92.21
	AIG	59.87	1.4	13.4	(3.4)	59.02	52.81	61.97
	Assurant	90.17	2.8	2.7	12.0	87.69	87.80	80.54
	Fidelity National	37.46	0.4	0.9	8.0	37.30	37.14	34.67
	Hartford	40.93	2.7	(7.4)	(5.8)	39.87	44.19	43.46
	Marsh	68.21	1.5	0.0	23.0	67.19	68.20	55.45
Health	Aetna	$116.46	(0.7)	(3.0)	7.7	$117.23	$120.02	$108.12
	Cigna	127.93	0.2	(1.5)	(12.6)	127.65	129.82	146.33
	Humana	177.00	(0.2)	1.7	(0.8)	177.38	174.10	178.51
	United	136.44	(0.1)	(3.3)	16.0	136.62	141.07	117.64
Monoline	Assured	$27.65	1.4	8.0	4.6	$27.28	$25.61	$26.43
	MBIA	8.00	0.9	16.4	23.4	7.92	6.87	6.48
	MGIC	8.21	2.1	36.4	(7.1)	8.04	6.02	8.83
	Radian	13.97	2.7	33.8	4.3	13.60	10.44	13.39
	XL Capital	34.79	3.9	4.8	(11.2)	33.50	33.21	39.18

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Major Market Variables

	Close	Change % Week	Change % QTD	Change % YTD	Prior Week	Prior Quarter	Prior Year
Dow Jones Ind	18,487.34	0.5	3.0	6.1	18,395.40	17,950.09	17,425.03
S&P 500	2,179.03	0.5	3.6	6.6	2,169.04	2,102.47	2,043.94
S&P Financial	330.55	2.0	7.7	2.7	324.21	306.85	321.73
S&P Insurance	323.22	2.0	4.5	5.0	317.01	309.31	307.71
US Dollar $		Change %			Prior		
/ Euro	$1.12	(0.4)	0.3	2.7	$1.12	$1.11	$1.09
/ Crude Oil bbl	44.29	(6.4)	(8.9)	19.4	47.31	48.64	37.09
/ Gold oz	1,324.80	0.4	(1.1)	25.0	1,320.10	1,339.30	1,059.60
Treasury Ylds %	%	Change bp			%	%	%
1 Year	0.59	(0.02)	0.14	(0.02)	0.61	0.45	0.60
10 Year	1.60	(0.02)	0.16	(0.67)	1.63	1.45	2.27
30 Year	2.28	(0.01)	0.05	(0.74)	2.29	2.23	3.02
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	72.54	0.7	(6.3)	(17.8)	72.02	77.42	88.24

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Major Insurer Bond Yields

	Company	Coupon	Maturity	Weekly Change Price Current	Price Change	Yield	Spread over UST B.P.	Spread over UST Change	YTD Spread Change
Life	Ameriprise	5.300%	3/15/2020	$111.34	$0.08	1.95%	88	(3)	(6)
	Genworth	6.515%	5/15/2018	$102.19	$0.38	5.15%	423	(5)	(189)
	Lincoln National	8.750%	7/15/2019	$117.96	$0.48	2.14%	113	(22)	(5)
	MassMutual	8.875%	6/15/2039	$158.97	($0.54)	4.65%	260	4	5
	MetLife	4.750%	2/15/2021	$112.51	$0.22	1.79%	65	(2)	(24)
	New York Life	6.750%	11/15/2039	$140.25	$0.48	4.06%	200	(1)	7
	Northwestern Mutual	6.063%	3/15/2040	$130.88	$1.24	4.02%	196	(5)	15
	Pacific Life	9.250%	6/15/2039	$158.01	$0.18	4.97%	291	1	3
	Principal	6.050%	10/15/2036	$126.14	$0.74	4.12%	214	(4)	5
	Prudential	4.500%	11/15/2020	$109.98	$0.12	2.00%	81	0	(28)
	TIAA	6.850%	12/15/2039	$138.82	$1.12	4.22%	215	(4)	(12)
P&C	ACE INA	5.900%	6/15/2019	$111.34	$0.04	1.69%	72	(0)	(10)
	Allstate	7.450%	5/15/2019	$114.40	($0.12)	1.93%	90	8	(8)
	American Financial	9.875%	6/15/2019	$120.88	$0.32	2.07%	98	(13)	(80)
	Berkshire Hathaway	5.400%	5/15/2018	$107.19	($0.13)	1.09%	32	7	(11)
	Travelers	3.900%	11/15/2020	$109.20	$0.26	1.60%	50	(0)	(22)
	XL Group	6.250%	5/15/2027	$120.64	$0.17	3.87%	215	(2)	19
Other	AON	5.000%	9/15/2020	$110.86	$0.12	2.19%	103	(1)	(1)
	AIG	5.850%	1/15/2018	$106.03	$0.20	1.34%	52	(29)	(34)
	Hartford	5.500%	3/15/2020	$111.91	$0.23	2.02%	92	(5)	(25)
	Nationwide	9.375%	8/15/2039	$159.41	($0.10)	4.99%	295	2	13
Health	Aetna	3.950%	9/15/2020	$107.94	$0.23	1.87%	75	(2)	(21)
	CIGNA	5.125%	6/15/2020	$111.04	$0.14	2.07%	93	(2)	(27)
	United Healthcare	3.875%	10/15/2020	$108.75	$0.17	1.66%	45	3	(25)
	Wellpoint	4.350%	8/15/2020	$108.94	$0.26	1.98%	90	(5)	(31)

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