Capital Markets Special Report

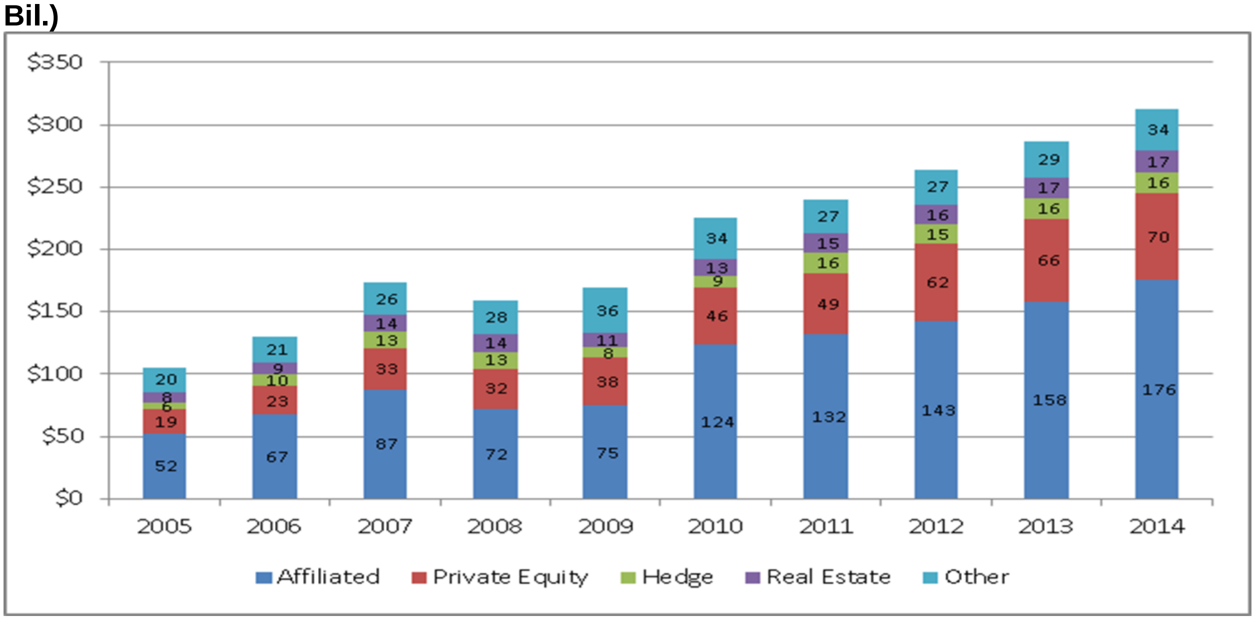
The **NAIC's Capital Markets Bureau** monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. A list of archived Capital Markets Bureau Special Reports is available via the **INDEX**.

U.S. Insurer Exposure to Schedule BA (Other Long-Term Invested Assets): Focus on Private Equity, Hedge Funds and Real Estate

This special report analyzes U.S. insurer exposure to "other long-term invested assets" focusing on joint ventures, partnerships and limited liability companies (LLCs) that have the underlying characteristics of common stock (i.e., in the form of private equity funds, or PE), real estate (RE, not including mortgages) or "other" (primarily hedge funds, or HFs), as they are the significant component of insurer investments in long-term investments that are not traditional bonds or common stock. Insurers' other long-term investments are comprised of affiliated and unaffiliated investments; affiliated investments were 56% of the industry's other long-term invested assets in 2014 and have ranged between 45% and 56% between 2005 and 2014. The focus of this special report, however, is on the industry's exposure to unaffiliated other long-term invested assets; in particular, PE (common stock characteristics), HFs (other characteristics) and RE. This report is also an update to the NAIC Capital Markets Bureau special report titled, "Schedule BA – Private Equity and Hedge Funds," published in April 2012.

As of year-end 2014, U.S. insurer exposure to other long-term invested assets was $313.5 billion in book/adjusted carrying value (BACV), which is 5.4% of total cash and invested assets. Affiliated investments accounted for $175.6 billion; therefore, $137.9 billion were unaffiliated investments. HFs, PE and RE are the three largest investments as a percentage of all affiliated other long-term assets. Insurer exposure to *unaffiliated* investments that comprised PE, HFs and RE were $70 billion, $16 billion and $17 billion, respectively, at year-end 2014 (totaling $103 billion, or 1.8% of total cash and invested assets), as shown in Chart 1.

Chart 1: U.S. Insurer Other Long-term Invested Assets - Major Components, 2005–2014 ($ Bil.)



Fund Descriptions and SEC Regulation

HFs and PE are terms that describe a set of alternative investments that pool assets from multiple investors. However, unlike mutual funds, HFs and PE do not make a public offering or market themselves (i.e., through widely distributed media), which exempts the funds from registration under the Securities Act of 1933 (33 Act). A private offering is made via a private placement memorandum (PPM). The PPM includes information similar to that found in a mutual fund prospectus, including a description of the investment, risks and associated fees. Any fund (including HFs and PE) with at least $10 million in assets and more than 500 investors are subject to periodic reporting under the Securities and Exchange Act of 1934 (34 Act). For that reason, sponsors generally limit the number of investors in their HF or PE to 100 investors. The 100-investor limit also exempts the fund from the financial condition and investment policy disclosures required under the Investment Company Act of 1940 (40 Act). Recent legislation under Title IV (Regulation of Advisers to Hedge Funds and Others) of Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) mandates funds with between $25 million and $150 million in assets under management (AUM) register with the state in which they operate, while those with more than $150 million in AUM must register with the SEC. Registered funds must report to the SEC using Form PF (a report deemed highly confidential from which the SEC does provide some summary data) their use of leverage and sources of financing; use of derivatives; fund strategies and risk; largest positions; type of investors; and third-party service providers. Funds with AUM of $500 million to $1.5 billion must file annually, while those with AUM greater than $1.5 billion must file quarterly.

Background on PE

A PE fund is a collective investment structure used for making investments in various equity (and, to a lesser extent, debt) securities. PE funds are typically limited partnerships (LPs) with a fixed term of 10 years (often with annual extensions). At inception, institutional investors make an unfunded commitment to the LP, which is then drawn over the term of the fund. A PE fund is raised and managed by investment professionals of a specific PE firm, such as Blackstone or the Carlyle Group (the general partner (GP) and investment advisor).

PE includes funds that, among other strategies, focus on leveraged buyouts (LBOs), venture capital (VC) investment and, to a lesser extent, mezzanine debt. An LBO fund typically uses debt and equity financing to acquire a company, or at least a controlling position. The debt, which is typically 85% of the total cost of the acquisition, but can be higher, is actually borrowed from an intermediate holding company and repaid with cash flows from the acquired company. The acquiring fund can act alone or in partnership with other investors, usually investors in the fund. VC funds invest in the equity of startup companies, usually in high-growth sectors such as technology, biotech and health care. VC investments can be classified according to the target company’s stage of development. Early stage VC funds invest in startups that invent and bring to market new ideas or technology. The early stage funding helps startup companies bring ideas to market. Late-stage VC funds help startups scale ideas and operations to maximize growth. Mezzanine funds invest in companies through notes or loans. Their position in the capital structure provides opportunity for higher returns, but not at the risk level of equity.

Background on HFs

In general, the concept of a hedge is to manage or reduce risk. HFs pool capital from a number of investors and invest in publicly traded securities and other marketable instruments. They are administered by a professional management firm, and often structured as an LP, LLC or similar vehicle. HFs are private investment funds that can take both long and short positions. The name “hedge fund” originated from the hedging techniques used by the first of these funds. Over time, the types and nature of hedging concepts expanded, as did the different types of investment vehicles. HFs are generally distinct from mutual funds, as their use of leverage is not capped by regulators. While HF strategies vary, they are all intended to focus on a specific aspect of market volatility. HF strategy definitions are not absolute; that is, there may be some overlap, and some judgement involved whereby funds may be characterized under more than one strategy type.

Hedge Fund Research (HFR), a hedge fund industry data provider, groups hedge funds into five strategies: equity hedge; event-driven; macro; relative value; and fund of funds. A fund of funds is an HF that holds LP interest in other HFs. With an equity hedge, a long and short position is maintained in an equity or equity derivative. Long/short equity strategies involve holding long positions in securities expected to increase in value, while also holding short positions in securities expected to decline in value. Through sector investing, managers invest in the securities of companies focused on a specific segment of the economy, such as technology or health care. Distressed securities investing is an event-driven strategy where the securities of a nonperforming company are purchased (usually at a discount) with expectations of increasing value from performance improvements. Macro strategies involve taking positions in financial instruments based on expectations of global economic performance.

Structure of HFs and PE

HFs and PE are generally formed as partnerships consisting of a GP and LPs that are investors in the fund. The GP is also generally the sponsor of the fund, responsible for undertaking the legal organization of the fund and fundraising. The GP is also often the party responsible for managing the fund investments, and so has a fiduciary responsibility and, therefore, can be legally liable for the actions of the fund. For its services, the GP earns a management fee. In addition, the GP has a stake in the performance of the fund. For most PE, the performance incentive is often structured as carried interest, where the GP is allocated an ownership position in the fund that it did not pay for. In the case of an HF, the stake in the performance of the fund is often structured as a percentage of the return earned by the fund. In both cases, the actual performance is generally structured to require that the LPs earn a certain minimum return, referred to as a "hurdle rate," before the GP is paid on its incentive-based fee.

Capital Commitment, Lock-up and Fees

The LPs in a PE commit to investing a specified amount in the fund and receive some form of ownership or partnership interest. The money that is committed by LPs to a PE, also called “committed capital,” is usually not invested immediately. It is “drawn-down” and invested over time as investments are identified. Draw-down, or capital calls, are issued to LPs when the GP has identified a new investment, and a portion of the LPs’ committed capital is required to pay for that investment. An LP’s ongoing obligation to fund capital calls depends on the amount of unfunded commitments (also called “additional commitments”). An unfunded commitment is the LP’s total committed capital minus amounts contributed from prior capital calls. U.S. insurers are required to report their unfunded commitments in their investment schedules.

Both PE and HFs have significant limitations on liquidity for their investors. PE have a commitment period, usually around five years, during which investments are made, and no payouts or redemptions occur. This is often referred to as a “lock-up” period. After that, the PE will make distributions to LPs as the fund’s investments mature and are sold. HFs also have lock-up periods, which can be as short as three months to as long as seven years. After the lock-up period, HFs allow periodic withdrawals, typically either quarterly or annually. Each withdrawal of capital by an LP generally requires advance notice to the GP, sometimes up to 90 days. So, due to timing, an LP in a fund that requires 90 days’ notice and has quarterly payment dates is limited to two withdrawals annually. HFs limit the amount of capital that can be withdrawn with each request; these features increase the illiquidity of an HF. HFs also have the option to raise “gates” that prohibit withdrawals at the discretion of the GP.

Size of HF and PE Universe

As of Dec. 31, 2014, Form PF data (see Table 1 and Table 2) shows that there were about 8,635 HFs with about $3.4 trillion in net asset value (NAV), and 8,407 PEs with about $2.7 trillion in NAV. NAV is defined by the SEC as total assets minus total liabilities. The number of HFs grew 15% from the first quarter 2013 to the fourth quarter of 2014, and the number of PE

grew 22% over the same period, whereas growth of NAV was 30% and 19%, respectively. These figures do not include SEC-registered advisers with AUM of $150 million or less.
According to survey data from Private Equity International (PEI), a data provider focused on the PE and HF industry, fundraising in 2014 reached $370.5 billion by 666 PE, a decrease from the $423 billion raised by 732 PEs in 2013. The amount raised in 2013, however, was not new investment; rather, it was reinvestment of proceeds realized from the sale of portfolio companies. LBOs accounted for 53% of the 2014 amount raised (about $195 billion). As of the fourth quarter of 2014, about 70% of PE gross asset value was allocated to PE funds with investments in North America, 67% of which was in the U.S. About 20% of PE gross asset value was allocated to funds invested in Europe, 7% to Asia and 1% to South America. Gross asset value is defined as total assets before subtracting liabilities.
According to Prequin, an alternative assets research and data source, the 20 largest HF managers, as measured by AUM, managed about 23% of all HF assets as of the third quarter of 2015. The largest manager, Bridgewater Associates, managed about 5% of HF AUM. U.S.-based managers accounted for 78% of AUM, followed by 18% to United Kingdom-based managers.

Performance of HF and PE Universe

The Preqin All-Strategies Hedge Fund benchmark lost more than 4.08% in the third quarter of 2015, the worst quarterly loss since the third quarter of 2011. Equity strategies performed the worst in the third quarter of 2015, losing about 6.7%. Relative value was the only strategy to produce a positive return of 0.23%. According to HFR, investors ignored the negative performance, and HFs experienced net inflows of $5.6 billion in 2015. The low performance relative to public equities continues the debate of whether the value delivered by HFs is worth the cost. The Hennessee Hedge Fund Index provides a long-term perspective for comparing HF and public equity performance. According to the Hennessee Hedge Fund Index, over the five-year period ended 2014, HFs underperformed the Standard & Poor's 500 index (S&P 500) by an average 6.1% annually. The reverse is true for the prior 10 years (2000–2009); i.e., HFs outperformed the S&P 500 by 7.7% annually (see Table 1). HFs outperformed the S&P 500 eight out of 15-years from 2000 to 2014, according to the Hennessee Hedge Fund Index. Over that 15-year period, an average of the annual returns places HF ahead of the S&P 500 at 6.6% versus 3.5%, respectively.

Table 1: Hennessee Hedge Fund Index Performance (%, 2000–2014)

Index	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Hennessee Hedge Fund Index	1.5	12.86	6.99	-4.6	9.89	25.21	-19.83	11.23	11.4	7.85	8.25	18.78	-2.89	4.35	8.16
S&P 500	1.3	29.6	13.4	-0.02	12.79	24.71	-38.49	3.56	13.62	3	8.99	26.38	-23.37	-13.04	-10.14
S&P 500 minus Hennessee Hedge Fund Index	**-0.2**	16.74	6.41	4.58	2.9	**-0.5**	**-18.66**	**-7.67**	2.22	**-4.85**	0.74	7.6	**-20.48**	**-17.39**	**-18.3**

The U.S. Private Equity Index managed by Cambridge Associates LLC (a provider of investment advice and research) rose 1.7% in the third quarter of 2014 and 10.2% year-to-date (YTD) September 2014. During the same period, for comparison, the S&P 500 was up 1.1% and 8.3% for the third quarter of 2014 and YTD, respectively. The third quarter of 2014 was the ninth consecutive quarter of positive returns for the PE benchmark. Over the short-term periods of one year and three years, the U.S. Private Equity Index underperformed the S&P 500. As of September 2014, the PE one-year return was 18.1% compared to 19.7% for the S&P 500, with three-year returns at 17% for PE and 23% for the S&P 500. PE outperformed the S&P 500 over the five-year, 10-year, 15-year, 20-year and 25-year periods ending September 2014. Preqin reported one-year rolling horizon return as of June 2014 for venture capital at 25.9%, outperforming all other PE strategies at that point in time.

U.S. Insurer Exposure to HFs and PE

As of year-end 2014, U.S. insurers reported exposure to unaffiliated HFs, PE and RE with an aggregate BACV of $100.4 billion, a 3% increase from $97.5 billion in 2013 and a 167% increase from $37.6 billion in 2005. High expected return and low correlation to public equity and fixed income drove investor interest in alternative assets, such as HFs, PE and RE, from early 2000 to 2007. As the financial crisis began in 2008 and impairments increased, U.S. insurers reduced their exposure to alternative assets that were deemed risky. Since 2007, the Federal Reserve's attempt to stimulate economic activity by cutting interest rates pushed down yields. The historically low yields in more traditional assets drove investors back to alternative assets, which offered higher expected yields.

Table 2: U.S. Insurer Historical Total Exposure to Unaffiliated HFs, PE and RE (BACV, $mil)

Characteristic	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Common Stock (PE)	69,503	66,852	48,092	53,468	50,261	42,497	36,237	39,298	26,831	21,974
Other (HF)	16,791	16,061	5,631	16,575	9,397	8,562	16,120	16,760	11,537	8,241
Real Estate	14,098	14,557	8,838	13,741	12,046	10,910	13,461	13,063	8,434	7,351
Total	**100,392**	**97,469**	**62,562**	**83,784**	**71,704**	**61,969**	**65,818**	**69,121**	**46,802**	**37,566**

As shown in Table 3, in 2014, about 69% of unaffiliated other long-term investments were concentrated in investments with PE, while 17% was in HFs and 14% was in RE. Unaffiliated investments in HFs, PE and RE increased by about 50% from 2006 to 2007 due to attractive yield opportunities. A similar trend occurred from 2012 to 2013 as, in addition to low returns on more traditional fixed-income investments, a growing economy encouraged investment in more risky (i.e., less liquid) assets for yield pickup.

In terms of strategy, within unaffiliated PE, LBOs accounted for the largest PE strategy reported by insurers in 2014, at $28.4 billion, followed by VC at $11.4 billion. Note that how insurers report strategy may vary from one to the other depending on how they view the fund. And, to the extent a strategy is not listed, insurers are not required to designate a specific strategy. For HFs, the largest strategy reported by insurers in 2014 was long/short equity at $7.4 billion, followed by multi-strategy at $5.9 billion and distressed securities at $2.2 billion. Other strategies—such as sector investing, global macro and a few arbitrage strategies—comprised the remainder.

Across the five industry types, life and P/C companies together accounted for the largest investment in unaffiliated HFs, PE and RE for an aggregate of $97.5 billion at year-end 2014, or 97% of total unaffiliated investments. This is relatively unchanged from year-end 2013. Life companies alone accounted for about 64% of the unaffiliated HF, PE and RE investments (see Table 3 and Table 4). U.S. insurers reported commitments for additional investment of $28.8 billion as of year-end 2014, with the largest share committed to PE ($20.9 billion), followed by $4.7 billion for HFs and $3.2 billion for RE.

Table 3: 2014 U.S. Insurer Exposure to Unaffiliated HFs, PE and RE by Industry Type (BACV, $mil)

Asset Class	Life	P/C	Health	Fraternal	Title	Asset Class Total	Asset Class Total/Total (%)
Common Stock - Unaffiliated (PE)	51,995	16,012	878	617	-	69,503	69%
Real Estate -Unaffiliated	7,859	5,591	435	146	63	14,095	14%
Other -Unaffiliated (HF)	4,615	10,429	1,519	219	10	16,791	17%
Total	**64,469**	**32,032**	**2,832**	**983**	**73**	**100,389**	**100%**
Insurer Type Total/Total (%)	64%	32%	3%	1%	0%		

Table 4: 2013 U.S. Insurer Exposure to Unaffiliated HFs, PE and RE by Industry Type (BACV, $mil)

Asset Class	Life	P/C	Health	Fraternal	Title	Asset Class Total	Asset Class Total/Total (%)
Common Stock - Unaffiliated (PE)	50,479	14,872	869	632	-	66,852	69%
Real Estate -Unaffiliated	7,922	6,158	285	136	53	14,554	15%
Other -Unaffiliated (HF)	4,912	9,666	1,295	172	17	16,061	16%
Total	**63,313**	**30,696**	**2,449**	**939**	**70**	**97,466**	**100%**
Insurer Type Total/Total (%)	65%	31%	3%	1%	0%		

Valuation of HFs and PE by U.S. Insurers

For accounting treatment, U.S. insurers' other long-term invested assets are subject to *the Statement of Statutory Accounting Principles (SSAP) No. 48—Joint Ventures, Partnerships and*

Limited Liability Companies, which requires an equity method for all such investments regardless of whether it is considered to be controlled by or affiliated with the reporting entity. Under the equity method, investments are wholly owned by an LLC that is directly and wholly owned by the insurer, and that do not meet the criteria of *SSAP No. 40R—Real Estate Investments*, are initially valued at cost with periodic adjustments for gains and losses. Other long-term investments in Schedule BA that do not meet the SSAP No. 48 requirement must follow *SSAP No. 21—Other Admitted Assets (Collateral Loans)*.

Summary

The illiquidity, lack of transparency and non-traditional structures of HFs, PE and RE reported as other long-term invested assets by U.S. insurers, plus the unpredictable cash flows of the HF and PE investments, suggests that they require close monitoring, particularly because of a lack of visibility in the valuation of portfolio companies. In addition, insurers should be aware of the possibility of fee layering, where a GP receives a management fee from the fund and an additional advisory fee for services to a portfolio company in the fund. In addition, in some cases, lackluster performance by advisors relative to the broad stock market may hamper the fundraising ability of new HF and PE managers.

Since at least 2005, U.S. insurer exposure to other long-term invested assets, as reported in Schedule BA, has fluctuated a bit, but, since 2010, it has been steadily increasing, reaching about $313.5 billion at year-end 2014 (including affiliated and unaffiliated exposure). Within the unaffiliated exposure (which was about 44% of the industry's other long-term invested assets, unaffiliated HFs, PE and RE were the largest components at approximately $103 billion, with PE being the largest at $70 billion. However, the pace of PE fundraising in 2014 (666 funds) suggested a cooling of interest in PE in the overall market, and perhaps by extension, U.S. insurers. Within unaffiliated PE investments, the largest strategy type reported by insurers in 2014 was LBOs (unchanged since at least 2005), and, for HF investments, it was long/short equity (which has varied from year to year with multi-strategy since at least 2005). Commitment for additional HF, PE and RE investments totaled $28.8 billion in 2014. The development of fund-of-funds portfolios has contributed to increasing liquidity in HFs, PE and RE, but liquidity is limited by restrictions on withdrawal.

The Capital Markets Bureau will continue to monitor trends within the insurance industry and report on any developments as deemed appropriate.

February 26, 2016 Major Insurer Share Prices			Change %			Prior		
		Close	Week	QTD	YTD	Week	Quarter	Year
Life	Aflac	$60.17	1.4	0.5	0.5	$59.32	$59.90	$59.90
	Ameriprise	86.49	4.6	(18.7)	(18.7)	82.69	106.42	106.42
	Genworth	2.18	13.0	(41.6)	(41.6)	1.93	3.73	3.73
	Lincoln	37.51	4.3	(25.4)	(25.4)	35.96	50.26	50.26
	MetLife	40.09	2.5	(16.8)	(16.8)	39.11	48.21	48.21
	Principal	38.47	4.5	(14.5)	(14.5)	36.81	44.98	44.98
	Prudential	66.99	2.5	(17.7)	(17.7)	65.36	81.41	81.41
	UNUM	28.92	5.1	(13.1)	(13.1)	27.52	33.29	33.29
PC	Axis Capital	53.91	(0.1)	(4.1)	(4.1)	53.97	56.22	56.22
	Allstate	64.32	0.5	3.6	3.6	64.00	62.09	62.09
	Arch Capital	68.20	(0.6)	(2.2)	(2.2)	68.63	69.75	69.75
	Cincinnati	63.57	1.6	7.4	7.4	62.57	59.17	59.17
	Chubb	117.51	1.6	(11.4)	(11.4)	115.67	132.64	132.64
	Everest Re	186.87	0.2	2.1	2.1	186.55	183.09	183.09
	Progressive	32.11	0.6	1.0	1.0	31.91	31.80	31.80
	Travelers	108.46	0.3	(3.9)	(3.9)	108.09	112.86	112.86
	WR Berkley	52.20	0.4	(4.7)	(4.7)	52.00	54.75	54.75
	XL	34.64	1.1	(11.6)	(11.6)	34.28	39.18	39.18
Other	AON	$95.76	2.3	3.8	3.8	$93.58	$92.21	$92.21
	AIG	51.09	(0.9)	(17.6)	(17.6)	51.53	61.97	61.97
	Assurant	72.74	3.4	(9.7)	(9.7)	70.33	80.54	80.54
	Fidelity National	32.90	(0.1)	(5.1)	(5.1)	32.93	34.67	34.67
	Hartford	42.83	2.5	(1.4)	(1.4)	41.78	43.46	43.46
	Marsh	57.50	0.3	3.7	3.7	57.31	55.45	55.45
Health	Aetna	$109.92	6.3	1.7	1.7	$103.45	$108.12	$108.12
	Cigna	141.25	5.5	(3.5)	(3.5)	133.94	146.33	146.33
	Humana	178.71	8.1	0.1	0.1	165.34	178.51	178.51
	United	121.33	3.1	3.1	3.1	117.68	117.64	117.64
Monoline	Assured	$24.84	3.7	(6.0)	(6.0)	$23.96	$26.43	$26.43
	MBIA	6.71	5.8	3.5	3.5	6.34	6.48	6.48
	MGIC	6.93	3.3	(21.5)	(21.5)	6.71	8.83	8.83
	Radian	11.09	2.3	(17.2)	(17.2)	10.84	13.39	13.39
	XL Capital	34.64	1.1	(11.6)	(11.6)	34.28	39.18	39.18

February 26, 2016 Major Market Variables	Close	Change % Week	Change % QTD	Change % YTD	Prior Week	Prior Quarter	Prior Year
Dow Jones Ind	16,639.97	1.5	(4.5)	(4.5)	16,391.99	17,425.03	17,425.03
S&P 500	1,948.05	1.6	(4.7)	(4.7)	1,917.78	2,043.94	2,043.94
S&P Financial	286.64	1.5	(10.9)	(10.9)	282.48	321.73	321.73
S&P Insurance	285.05	1.3	(7.4)	(7.4)	281.36	307.71	307.71
US Dollar $		Change %			Prior		
/ Euro	$1.09	(1.7)	0.7	0.7	$1.11	$1.09	$1.09
/ Crude Oil bbl	32.80	9.8	(11.6)	(11.6)	29.86	37.09	37.09
/ Gold oz	1,224.40	(0.5)	15.6	15.6	1,230.40	1,059.60	1,059.60
Treasury Ylds %	%	Change bp			%	%	%
1 Year	0.58	0.07	(0.02)	(0.02)	0.52	0.60	0.60
10 Year	1.76	0.01	(0.51)	(0.51)	1.75	2.27	2.27
30 Year	2.63	0.02	(0.39)	(0.39)	2.61	3.02	3.02
Corp Credit Spreads -bp		Change %			Prior		
CDX.IG	110.29	(6.6)	25.0	25.0	118.13	88.24	88.24

February 26, 2016 Major Insurer Bond Yields	Company	Coupon	Maturity	Weekly Change Price Current	Weekly Change Price Change	Weekly Change Yield	Spread over UST B.P.	Spread over UST Change	YTD Spread Change
Life	Ameriprise	5.300%	3/15/2020	$111.35	($0.17)	2.34%	123	3	28
	Genworth	6.515%	5/15/2018	$89.13	$6.50	12.24%	1,107	(355)	495
	Lincoln National	8.750%	7/15/2019	$119.80	($0.37)	2.51%	142	(1)	25
	MassMutual	8.875%	6/15/2039	$148.00	($0.72)	5.27%	291	2	36
	MetLife	4.750%	2/15/2021	$109.50	$0.00	2.68%	144	(0)	55
	New York Life	6.750%	11/15/2039	$130.62	$2.14	4.61%	224	(15)	31
	Northwestern Mutual	6.063%	3/15/2040	$124.31	$2.68	4.41%	190	(28)	8
	Pacific Life	9.250%	6/15/2039	$140.35	($0.06)	6.01%	365	6	77
	Principal	6.050%	10/15/2036	$113.59	($0.17)	4.99%	274	2	65
	Prudential	4.500%	11/15/2020	$107.38	($0.92)	2.81%	155	24	46
	TIAA	6.850%	12/15/2039	$125.93	$0.64	4.98%	260	(5)	33
P&C	ACE INA	5.900%	6/15/2019	$111.98	($0.29)	2.11%	99	1	17
	Allstate	7.450%	5/15/2019	$116.14	($0.02)	2.21%	109	1	11
	American Financial	9.875%	6/15/2019	$121.96	$0.73	2.83%	183	(10)	5
	Berkshire Hathaway	5.400%	5/15/2018	$109.00	($0.19)	1.24%	34	2	(9)
	Travelers	3.900%	11/15/2020	$107.89	($0.42)	2.11%	86	11	14
	XL Group	6.250%	5/15/2027	$117.92	($0.34)	4.22%	224	(4)	28
Other	AON	5.000%	9/15/2020	$110.86	$0.01	2.48%	122	(1)	18
	AIG	5.850%	1/15/2018	$106.57	($0.08)	2.25%	142	(5)	55
	Hartford	5.500%	3/15/2020	$110.52	($0.19)	2.75%	152	16	36
	Nationwide	9.375%	8/15/2039	$145.74	$0.31	5.79%	340	(3)	59
Health	Aetna	3.950%	9/15/2020	$105.87	$0.14	2.56%	135	(4)	39
	CIGNA	5.125%	6/15/2020	$110.65	($0.12)	2.49%	127	4	7
	United Healthcare	3.875%	10/15/2020	$106.97	($0.18)	2.28%	100	4	30
	Wellpoint	4.350%	8/15/2020	$106.95	($0.15)	2.68%	147	3	26

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