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The \_\_\_\_\_ monitors developments in the capital markets globally and analyzes

occasion. Exacerbating the impact of COVID-19 was the oil price war between Saudi Arabia and Russia, which resulted in oil prices declining to an 18-year low.

Global markets worldwide experienced extreme volatility

### *Industry/Sector Impact*

Within the 11 sectors of the S&P 500, energy and industrials had the largest YOY percent change through April 3; industrials include airlines, construction, road and rails (see Table 1). The decline in energy, oil and gas is not only a result of lower demand stemming from widespread “stay at home” directives, but also due in part to the supply-demand imbalance as a result of the price conflict between the Saudis and Russians. The “stay at home” plea has resulted in double digit declines within the travel sector, such as with airlines and hotels, as trips are being cancelled or postponed. Retail—part of consumer discretionary—has also been grossly affected with the closing of retail stores causing a significant loss of sales.

In comparison, at year-end 2018, U.S. insurer exposure to unaffiliated common stock was \$328.4 billion in BACV (see Table 3), representing a YOY increase of 26.1%. This is in line with (higher than) the overall December 2018 to December 2019 returns for stock markets (e.g., at year-end 2019, the S&P 500 increased almost 29% on a YOY basis). An increase in U.S. insurer exposure that exceeds equity market increases overall would suggest that the industry is adding to its exposure, while the reverse would suggest that the industry is a net seller.

Table 4 shows U.S. insurer exposure to unaffiliated common stock by assets under management at year-end 2019. Most of the exposure was with large companies; i.e., those with more than \$10 billion of assets under management held almost 79% of the total unaffiliated common stock exposure. Companies with between \$1 billion and \$10 billion in assets under management accounted for approximately 15

## Market Value Analysis of U.S. Insurer Exposure to Unaffiliated Common Stock

Given ongoing stock market volatility since the beginning of 2020, the NAIC Capital Markets Bureau completed a market value analysis of the \$403 billion in unaffiliated common stock reported by U.S. insurers at year-end 2019. Using third-party stock market data, the analysis narrowed its focus to those common stocks with reliable pricing information, totaling \$380 billion (or 94%) of this subset. The analysis showed that, in the first quarter of 2020, the market value had decreased by almost 25% to \$286.2 billion; in comparison, the S&P 500 was down 20% over the same period. Table 5 shows the analyzed unaffiliated publicly traded common stock at year-end 2019 and the market value changes as of the end of the first quarter of 2020.

Subsequent changes in fair value are then reported as unrealized gains or losses until the investment is sold or there is another recognized OTTI.

The NAIC Capital Markets Bureau will continue to monitor financial market trends with U.S. insurer investments and report as deemed appropriate.