

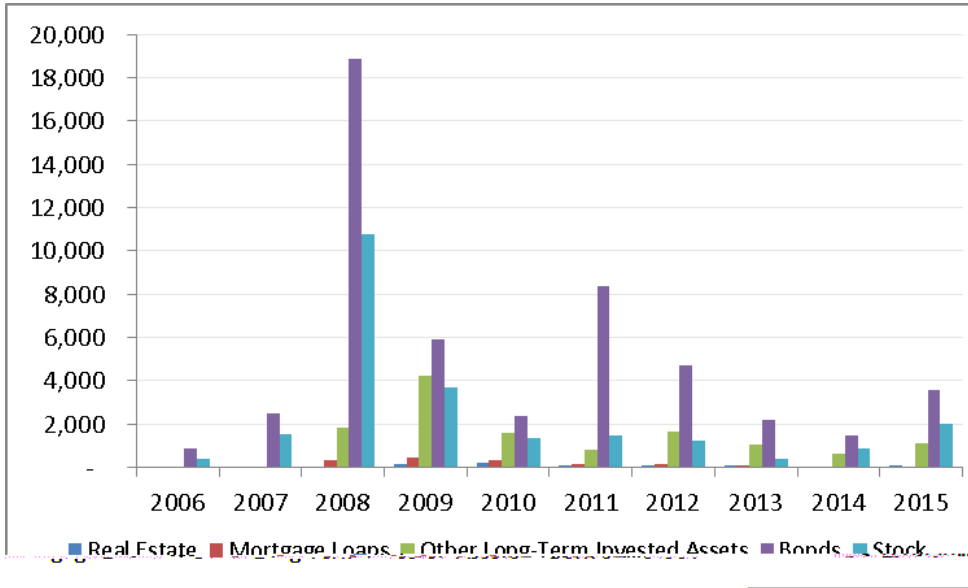


The _____ monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of US insurance companies. A list of archived Capital Markets Bureau Special Reports is available via the _____

Historical Impairment Trends

This NAIC Capital Markets Bureau Special Report analyzes the trends in U.S. insurer reported other-than-temporary impairments (OTTIs) from 2006 to 2015 across various invested asset classes, including bonds, stocks, real estate, mortgage loans and other long-term invested assets.

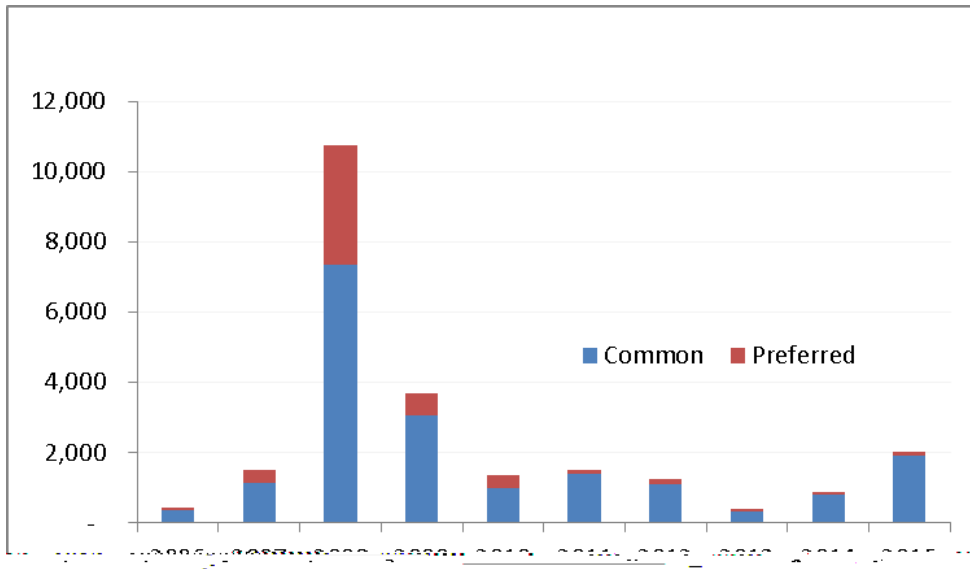
In accordance with INT 06-07: _____ the decision for determining when an investment is considered impaired is dictated by the applicable Statement of Statutory Accounting Principles (SSAP) and the respective impairment indicator¹



Bonds

According to SSAP No. 26—Bonds, an OTTI shall be considered to have occurred if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition. A decline in fair value that is an

comprised only \$123 million (2%) of total OTTIs; note that U.S. exposure to real estate as a perce



As of year-end 2015 P/C companies accounted for \$1.5 billion of the \$2.0 billion of reported unaffiliated common and preferred stock OTTIs by U.S. insurers. Life companies accounted for \$407 million of total unaffiliated common and preferred stock OTTIs. This trend aligns with P/C companies holding a larger proportion of cash and invested assets in common stock (both in absolute and percentage terms) versus the other major insurer types. Four sectors accounted for 75% of year-end <https://www.naic.org/capital>

By delinquency status, restructured commercial mortgage loans had the highest OTTIs, at \$18 million, or 32% of total mortgage loan OTTIs. Mortgage loans in good standing had total OTTIs of \$7 million, with commercial mortgage loans in good standing accounting for \$6.5 million of this amount (see Table 5).

