

## Internet Appendix

### “The Role of Financial Conditions in Portfolio Choices: The Case of Insurers”

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#### Table IA.1: Robustness Test for Losses and Bond Holdings, Bond Characteristics from $q-2$ or $q$

This table repeats the OLS regressions in Table 3, replacing bond characteristics with those from quarter  $q-2$  in Panel A and those from quarter  $q$  in Panel B. The dependent variable is P&C insurer  $i$ 's holdings of a specific corporate bond  $j$ , as a percentage of  $i$ 's cash and invested assets in quarter  $q$  in Columns (1) and (2), or as a percentage of the total market value of all the corporate bonds insurer  $i$  holds in quarter  $q$  in Columns (3) and (4). We estimate the following specification:  $Holding\ of\ Bond_{i,j,q} = \alpha * Loss_{i,q-1} * Bond\ Char_j + \beta * Financial_{i,q-2} * Bond\ Char_j + FE_{i,q} + FE_{j,q} + e_{i,j,q}$ . *Bond Char* includes *Bond Worse-Rated*, coupon rate, maturity, illiquidity, whether the bond was downgraded, and a dummy variable indicating whether the bond is in the NAIC 1 category. Variables in the vector, *Bond Char*, are from quarter  $q-2$  in Panel A (other than bond maturity) and from quarter  $q$  in Panel B. *Financial* is a vector including insurers' log assets, insurers' ratings, leverage, RBC ratio, all of which are from quarter  $q-2$ , except RBC ratio. RBC ratio is only available annually, so we use the RBC ratio from the year prior. The control variables include all those in Table 3, with different timing for *Bond Char*. Standard errors are corrected for clustering at the bond CUSIP-year-quarter level. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels. See Table A.1 for variable definitions.

**Panel A: Using Bond Characteristics from Quarter  $q-2$**

Dependent Variable:	Mrkt Value (i,j,q) *100 / Cash & Invested Assets (i,q)		Mrkt Value (i,j,q) *100 / Mrkt Value of All Corp Bonds Held (i,q)	
	1 (1)	1 & 2 (2)	1 (3)	1 & 2 (4)
Loss (q-1)*Bond Worse-Rated (q-2)	-0.1296*** (-7.16)	-0.1110*** (-7.30)	-0.4264*** (-5.79)	-0.3362*** (-5.40)
Loss (q-1)*Bond Coupon Rate	0.0189 (1.27)	-0.0037 (-0.35)	0.1412** (2.19)	0.0301 (0.66)
Loss (q-1)*Bond Maturity (q)	0.6066 (1.43)	-0.1277 (-0.71)	0.9866 (0.40)	-0.4162 (-0.51)
Loss (q-1)*Bond Illiquidity (q-2)	0.0406 (0.56)	0.0402 (0.77)	0.7015** (2.28)	0.5927*** (2.66)
Loss (q-1)*Bond Downgraded Dummy (q-2)	0.0169 (0.19)	-0.0132 (-0.21)	0.2081 (0.53)	-0.0224 (-0.08)
Loss (q-1)*Bond NAIC 1 Dummy (q-2)		0.5147*** (6.92)		1.4428*** (4.70)
Controls	Yes	Yes	Yes	Yes
CUSIP-Year-Quarter FE	Yes	Yes	Yes	Yes
Firm-Year-Quarter FE	Yes	Yes	Yes	Yes
Cluster SE by CUSIP-Year-Quarter	Yes	Yes	Yes	Yes
N	812,030	1,347,214	812,506	1,347,958

**Panel B: Using Bond Characteristics from Quarter  $q$**

Dependent Variable:	Mrkt Value (i,j,q) *100 / Cash & Invested Assets (i,q)		Mrkt Value (i,j,q) *100 / Mrkt Value of All Corp Bonds Held (i,q)		
	NAIC Category:	1 (1)	1 & 2 (2)	1 (3)	1 & 2 (4)
Loss (q-1)*Bond Worse-Rated (q)		-0.1254*** (-7.10)	-0.1007*** (-6.84)	-0.4485*** (-6.03)	-0.3227*** (-5.18)
Loss (q-1)*Bond Coupon Rate		0.0057 (0.41)	-0.0137 (-1.33)	0.0615 (1.02)	-0.0431 (-0.97)
Loss (q-1)*Bond Maturity (q)		1.3395*** (2.69)	-0.1060 (-0.68)	5.8342 (1.36)	-0.3780 (-0.45)
Loss (q-1)*Bond Illiquidity (q)		0.0854 (1.24)	0.0463 (0.91)	0.8999*** (2.92)	0.6413*** (2.85)
Loss (q-1)*Bond Downgraded Dummy (q)		-0.0466 (-0.49)	-0.0926 (-1.33)	-0.3296 (-0.76)	-0.4708 (-1.51)
Loss (q-1)*Bond NAIC 1 Dummy (q)			0.4718*** (6.52)		1.3356*** (4.36)
Controls	Yes	Yes	Yes	Yes	Yes
CUSIP-Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
Firm-Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
Cluster SE by CUSIP-Year-Quarter	Yes	Yes	Yes	Yes	Yes
N		887,413	1,487,947	887,933	1,488,774