



The NAIC Capital Markets Bureau monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. Previously published [NAIC Capital Markets Bureau Special Reports](#) are available via its web page and the NAIC archives (for reports published prior to 2016).

Decrease in U.S. Insurers' Bank Loan Investments at Year-End 2025

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Executive Summary

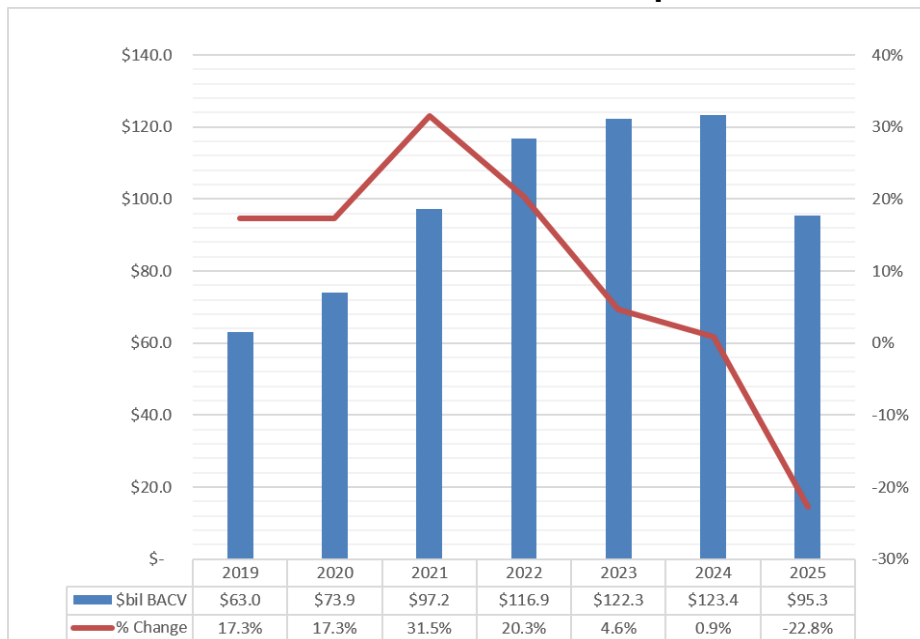
- U.S. insurers' bank loan exposure experienced relatively large shifts in book/adjusted carrying value (BACV) and credit quality from year-end 2024 to year-end 2025 due in part to the recategorization of certain assets within investment categories.
- At year-end 2025, U.S. insurers reported about \$95 billion BACV of bank loan investments in the NAIC annual statement filings, which was a significant decrease from \$123 billion at year-end 2024.
- Unaffiliated bank loans comprised almost all of the exposure; about 85% were acquired, with the remaining 15% issued by the insurer.
- As in previous years, life insurers accounted for the majority of bank loan exposure, representing 77% of the total at year-end 2025, down from 85% the previous year.
- Credit quality declined year-over-year (YOY), as bank loans with NAIC 1 and NAIC 2 designations accounted for 30% of the total at year-end 2025, down from about half in 2024, while those with NAIC 3 and NAIC 4 designations—indicating below-investment-grade credit quality—increased to 58% from 42% at year-end 2024.
- Bank loan investments decreased slightly to approximately 1% of U.S. insurers' total cash and invested assets, down from about 1.4% of total assets in 2022 through 2024.

U.S. insurers' bank loan investments, as reported in the NAIC annual statement files, decreased by double digits at year-end 2025. U.S. insurers report bank loan exposure in Schedule D, Part 1, Section 1; Schedule DA; and Schedule E, Part 2, with the overwhelming majority reported in Schedule D, Part 1, Section 1. Bank loan exposure for U.S. insurers not only includes loans that are issued by banks and acquired by insurers, but also loans that have been issued directly by insurers or the reporting entity.



At year-end 2025, U.S. insurers reported about \$95 billion in book/adjusted carrying value (BACV) for bank loan investments, a 23% decrease from about \$123 billion at year-end 2024. (Refer to Chart 1.) This decline was influenced, in part, by the implementation of the principle-based bond definition (PBBB), which became effective with year-end 2025 U.S. insurers' NAIC annual statement filings. Although the definition and reporting of bank loans were not revised under the PBBB, certain assets that had previously been reported in Schedule D, Part 1 were recategorized, including bank loans. As a result, some investments that insurers previously reported as bank loans in Schedule D, Part 1 were reported in other bond investment categories.

Chart 1: U.S. Insurers' Historical Bank Loan Exposure, 2019-2025 (\$bil. BACV)



From 2019 through 2022, U.S. insurers' bank loan investments increased at double-digit rates before slowing to a 4.6% in 2023 and less than 1% in 2024. While there was a significant decrease in growth over the last few years, U.S. insurers' bank loan investments increased by 51% for the seven years ending 2025.

Bank loans decreased slightly to approximately 1% of U.S. insurers' total cash and invested assets at year-end 2025, from about 1.4% at year-end 2022 through year-end 2024. As reported by U.S. insurers, unaffiliated bank loans accounted for 98% of total bank loan exposure, a slight increase from 94% at year-end 2024. In addition, about 85% of U.S. insurers' bank loan exposure at year-end 2025 was acquired, compared to 87% at year-end 2024. (Refer to Table 1.) The remaining 15% was issued by the insurers or the reporting entities.



Table 1: U.S. Insurers’ Bank Loan Investments - Acquired vs. Issued (\$Bil. BACV)*

	Life	P/C	Health	Title	Total	% of Total
Acquired	60.5	17.4	1.9	0.1	79.8	85%
Issued	12.5	1.9	0.0	0.0	14.4	15%
Total	73.0	19.3	1.9	0.1	94.2	100%
% of Total	77%	21%	2%	0%	100%	

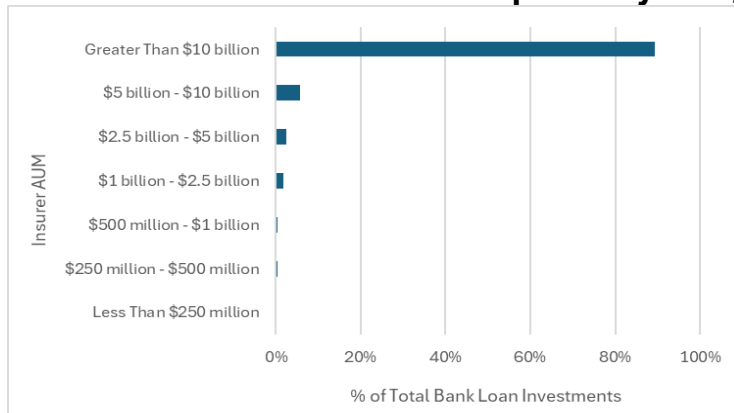
*The numbers in the table are rounded and only include bank loans reported in Schedule D Part 1.

Large Life Insurers Account for The Majority of Bank Loan Investments

Life insurers accounted for about 77% of U.S. insurers’ bank loan exposure, which was a relatively large decrease from 85% at year-end 2024 and year-end 2023. To offset this decrease, bank loans held by property/casualty (P/C) insurers increased to about 21% of total exposure from 13% at year-end 2024 (and year-end 2023). Providing some perspective, life insurers’ exposure to bank loans decreased by approximately \$30 billion year over year (YOY) due, likely, to the revised bond definition, while P/C insurers’ exposure increased by about \$3 billion YOY. As a result, the large increase in P/C insurers’ exposure in percentage terms is mainly due to the overall reduction in the base of bank loan investments in BACV terms, rather than P/C insurers’ significantly increasing their exposure in the asset class. Health and title insurers held the small remainder, similar to prior years.

Large insurers, or those with more than \$10 billion in assets under management (AUM), held 89% of the industry’s bank loan investments at year-end 2025. (Refer to Chart 2.) The remaining 11% were primarily held by insurers with between \$1 billion and \$10 billion in AUM, similar to the prior two years. Among large insurers, life companies accounted for 83% of the total.

Chart 2: U.S. Insurers’ Bank Loan Exposure by AUM, Year-End 2025 (% of Total BACV)



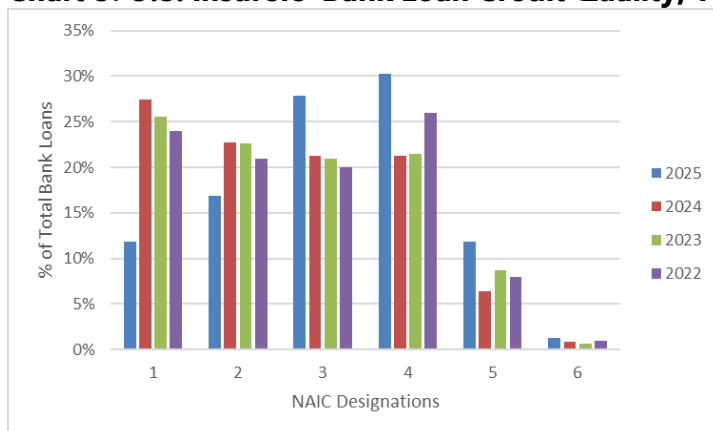


Two large life insurers accounted for 20% of U.S. insurers’ exposure to bank loans at year-end 2025, and 12 large life insurers accounted for half of the exposure. In comparison, at year-end 2024, half of U.S. insurers’ bank loan exposure was held by just five large life insurers. The decrease in concentration across the number of insurers is likely due to the recategorization of bank loans into other investment categories.

Significant Change in Credit Quality

The credit quality of U.S. insurers’ bank loans appears to have declined significantly YOY. However, it has likely been impacted by the overall decline in bank loan exposure due to the PBBD and resultant shift into other investment schedules. At year-end 2025, bank loans with NAIC 1 and NAIC 2 designations were about 30% of the total, down from 50% at year-end 2024. (Refer to Chart 3.) Notably, within these investment-grade loans, those carrying NAIC 1 designations dropped to 12% of the total from 27% a year prior. Conversely, 58% of bank loan investments reported by U.S. insurers carried NAIC 3 and NAIC 4 designations (implying below-investment-grade credit quality, or the BB and B-rating categories), representing an increase from 42% at year-end 2024. The increase in NAIC 4 designations to 30% of the total at year-end 2025, from 21% at year-end 2024, had a large impact on the YOY increase in U.S. insurers’ exposure to below-investment-grade bank loans. In addition, loans with NAIC 5 designations doubled to 12% at year-end 2025.

Chart 3: U.S. Insurers’ Bank Loan Credit Quality, Year-End 2022-2025



Modest Growth in U.S. Leveraged Bank Loans in 2025

Leveraged bank loans (leveraged loans) typically have a high coupon and are provided to companies with below-investment-grade ratings. Consequently, leveraged bank loans are typically rated speculative-grade by credit rating agencies, or in the BB and, most often, B-rating categories.

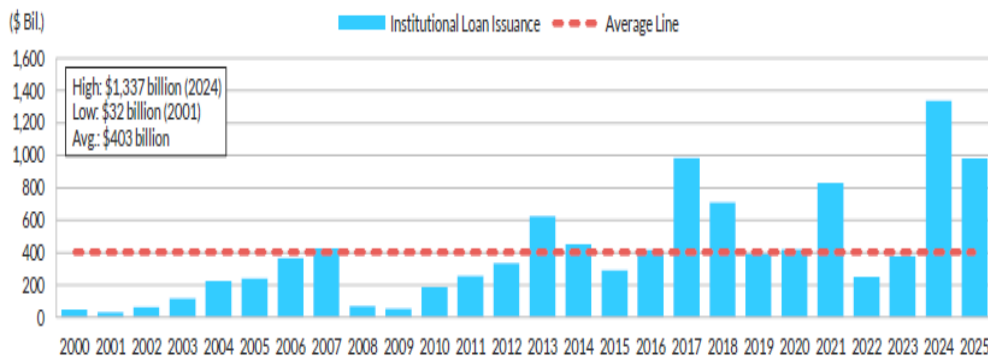


The loans may be issued by a syndicate or group of lenders (i.e., broadly syndicated [BSL]), or by a small group of direct lenders (i.e., middle market [MM]). Leveraged loans are floating-rate, priced at a spread over a base rate, such as the Secured Overnight Financing Rate (SOFR). Leveraged loans also represent senior secured credit for a company and sit at the top of its capital structure. As a result, leveraged loans often have first payment priority. Based on data reported by U.S. insurers in the NAIC annual statement filings, almost 60% of bank loan investments, or approximately \$55 billion, could be considered leveraged loans at year-end 2025 based on their NAIC 3, NAIC 4, and NAIC 5 designations.

Leveraged loans held by financial institutions, such as asset managers, insurance companies, and even collateralized loan obligations (CLOs), are referred to as *institutional* leveraged loans. CLOs, according to Fitch Ratings (Fitch), are also the largest and most consistent investors in institutional leveraged loans¹. Due, in part, to the U.S. tariff announcement in April, new U.S. institutional leveraged loan issuance increased only modestly in 2025, totaling \$980 billion for the year. (Refer to Chart 4.) The tariff announcement led to economic uncertainty, tighter bank lending standards, and higher borrowing costs, which resulted in lower new bank loan issuance. While new bank loan issuance in 2025 was below the 2024 record issuance of \$1.34 trillion, it was above the \$400 billion 25-year average, according to Fitch. Following a brief, reactive freeze after “Liberation Day” in early April, new institutional leveraged loan issuance resumed in July with a \$202 billion monthly new-issue record.

Chart 4:

Institutional Leveraged Loan Issuance



Source: Fitch Ratings, Refinitiv LPC

While the tight spreads that occurred in 2023 and 2024 triggered new loan issuance activity, it consisted primarily of refinancing and repricing, which, in turn, reduced the total amount of institutional leveraged loans outstanding. This trend continued into 2025, and along with a relatively low base rate, a small net increase in institutional leveraged loans outstanding occurred. At the end of 2025, outstanding institutional leveraged loans totaled \$1.56 trillion

¹ Fitch Ratings, *The 2026 Annual Manual*, April 2026.

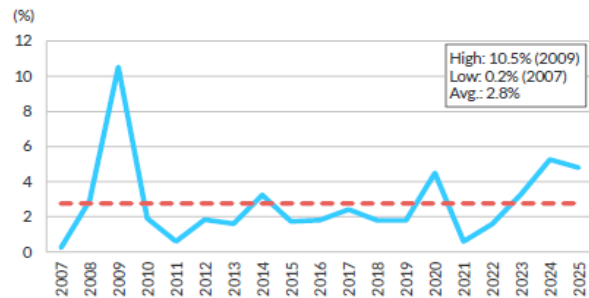


according to Fitch research, up slightly from \$1.5 trillion at year-end 2024. Additional detail on historical leveraged loan market activity is provided in the Appendix.

The institutional leveraged loan default rate at year-end 2025 was 4.8%, according to Fitch, down from 5.3% at the end of 2024 but still elevated compared to prior years. Following 2024 and 2009 (10.5% default rate), it was historically the third-highest default rate. (Refer to Chart 5.) The comparatively high default rate was due in part to the Fed’s swift increase in interest rates, which affected highly levered issuers. Note that the average institutional leveraged loan default rate between 2007 and 2025 was 2.8%.

Chart 5:

U.S. Institutional Leveraged Loan Default Rate



Source: Fitch U.S. Leveraged Loan Universe, Refinitiv LPC, Bloomberg

More background on leveraged bank loans can be found in the NAIC Capital Market Bureau’s primer on [Leveraged Bank Loans](#).

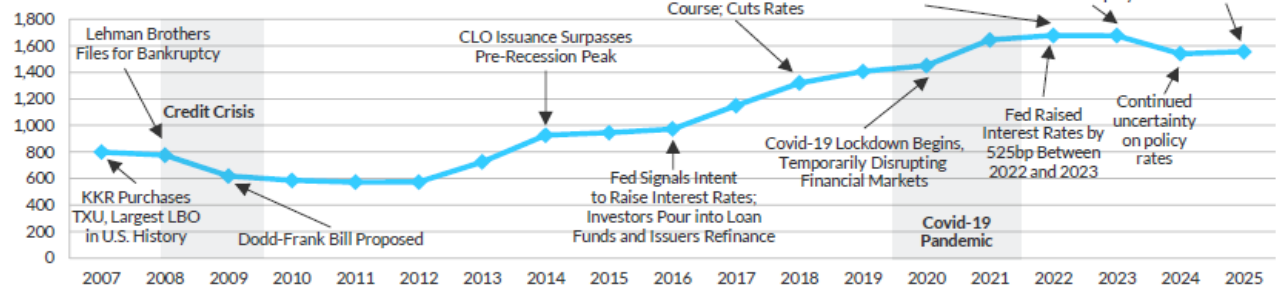
The NAIC Capital Markets Bureau will continue to monitor U.S. insurers’ bank loan exposure trends and report as deemed appropriate.



Appendix

Leveraged Loan Market History

(\$ Bil., Institutional Leveraged Loan Market Size)



KKR – Kohlberg Kravis Roberts. TXU – TXU Corporation. Note: Gray section represents a recessionary period as defined by the National Bureau of Economic Research. Source: Fitch Ratings, Fitch U.S. Leverage Loan Universe, Refinitiv LPC

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

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