



## Oil Prices Reach New High Following Russian Invasion of Ukraine

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On Thursday, Feb. 24, oil prices exceeded \$100 per barrel, per the Brent crude global oil benchmark, for the first time since 2014 (see Graph 1). Brent crude reached about \$107 per barrel on March 1 and traded the following morning at more than \$113 per barrel. Russia's continued invasion of Ukraine has not only resulted in an increase in oil prices but a decline in equity markets and bond yields. Global stock markets have been volatile in recent days as investors try to make sense of the potential economic impact from Russia's invasion and resulting sanctions. The Standard & Poor's 500 index (S&P 500) dropped 1.6% on March 1, with energy the only sector to advance within the index. In general, energy companies' stocks increased alongside oil prices.

Graph 1: Brent Crude Oil Prices, Jan. 1, 2012 – Feb. 22, 2022



To limit rising oil prices, members of the International Energy Agency (IEA), a Paris-based organization of primarily industrialized nations, agreed to release supplies from oil reserves. On Feb. 28, oil and natural gas prices increased, due in part to sanctions placed on Russia to thwart its commodities exports. Russia is the single largest gas exporter, and it is a major supplier of crude, refined products, and other resources, including to the U.S.

Table 1 identifies the year-end 2020 bond, common stock and preferred stock exposure of the U.S. insurance industry to oil and gas companies. The industry's \$111 billion book/adjusted carrying value (BACV) exposure represented approximately 1.5% of the industry's total cash and invested assets as of year-end 2020. Oil and gas companies will benefit from the rise in oil prices, and they are currently in a much better financial position than during 2020 when Brent crude prices briefly fell below \$10 per



barrel and remained depressed relative to historical levels due to lower demand resulting from the effects of the COVID-19 pandemic.

Table 1: U.S. Insurance Industry’s Exposure to Oil and Gas Companies, Year-End 2020, BACV\$ in millions

Asset Type	Life	P/C	Title	Health	Total	% of Total
Bonds	90,760	13,471	99	1,292	105,622	94.8%
Common and Preferred Stock	522	5,050	58	182	5,812	5.2%
<b>Total</b>	<b>91,282</b>	<b>18,521</b>	<b>157</b>	<b>1,474</b>	<b>111,434</b>	<b>100.0%</b>
<b>% of Total</b>	<b>81.9%</b>	<b>16.6%</b>	<b>0.2%</b>	<b>1.3%</b>	<b>100.0%</b>	

Year-end 2021 data will not be available for several weeks, but an update to the industry’s oil and gas exposure will be provided if there is a material change in exposure.

The NAIC Capital Markets Bureau will continue to monitor market events pertaining to this topic and report as deemed appropriate.

Questions and comments are always welcome. Please contact the Capital Markets Bureau at [CapitalMarkets@naic.org](mailto:CapitalMarkets@naic.org).

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