



## Ongoing Oil Price Volatility Raises Concerns About Energy Crisis

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With little indication of progress to end the U.S.-Israel and Iran war, oil and gas prices continue to fluctuate. Oil prices reached \$119/barrel intraday on March 19 before settling at about \$109/barrel, a 52-week high, based on the Brent crude futures, a global pricing benchmark. Oil prices have been volatile primarily due to strikes on gas fields, refineries, and other critical energy infrastructure in the Middle East, and closed at almost \$103/barrel on March 30, the first close above \$100 since 2022 when Russia invaded Ukraine.

Disruption in the Strait of Hormuz shipping route, which is a pathway for 20% of the world's oil and liquified natural gas, had also exacerbated an already strained supply. It has resulted in a pause in oil production, as storage space is decreasing and there is nowhere to ship fuel. It has also led to higher energy prices and concerns about long-term damage from the war.

Graph 1: Brent Crude Oil Prices, March 23, 2021 – March 23, 2026



This latest oil price increase reflects fears of an energy crisis. Since early March, oil prices have bounced above and below \$100/barrel, after starting the year in the low \$60/barrel range. For the first time since March 2022, oil prices first breached \$100/barrel intraday on March 9 due to concerns over the war's impact on energy supplies. Coinciding with the increase in oil prices, gasoline prices have been steadily rising, reaching \$4.02/gallon in the U.S. as of March 31, according to the U.S. Energy Information Administration, from about \$2.80 at the beginning of the year.

The U.S.-Israel and Iran war has also resulted in fluctuations in global equity markets. The Standard & Poor's 500 index (S&P 500) dropped about 5.0% year to date (YTD) as of March 30, but the energy sector



within the S&P 500 increased about 35% YTD — the highest increase for all 11 sectors within the index within that time period. Typically, energy companies' stocks increase alongside oil prices. In addition, the Stoxx Europe 600 was down 1.53% YTD March 31, and the Nikkei 225 was up 1.44%, which is a significant drop from a return of almost 16% at the beginning of March. Regions in Europe and Asia depend on oil and gas in the Middle East.

The economic uncertainty arising from the war in the Middle East, along with other factors such as a stall in inflation and a soft labor market, influenced the Federal Reserve's decision to hold rates steady at its March 18 meeting, keeping the range at 3.5% to 3.75%. Government bond yields also began to rise in part due to worsening fears about inflation, which has been above the Fed's 2% target for the past five years. The yield on the 10-year U.S. Treasury has been increasing since early March, reaching 4.4% as of March 27, up from a low for the year of 3.97% at the end of February.

U.S. insurers' direct exposure to investments in energy-related companies, including oil, gas, and consumable fuels' bonds and stocks (common and preferred), has been relatively small as a percentage of the industry's total cash and invested assets. That is, it was about 2.5% of total cash and invested assets at year-end 2024, or approximately \$240 billion in bonds and stocks. However, significant exposure to oil and gas investments by any single insurance company as a percentage of the company's total assets may warrant identification, given the current volatility of oil prices. While the oil and gas sector generally benefits from increasing prices, other industries, such as transportation and manufacturing, may be negatively impacted. At year-end 2024, U.S. insurers' exposure to transportation (i.e., ground, air freight, airline, and marine) totaled approximately \$84 billion, representing less than 1% of the industry's total cash and invested assets.

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

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