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Number of Private Equity-Owned U.S. Insurers Remains Constant, But Total Investments Increase by Double Digits in 2023

Analysts: Jennifer Johnson and Jean-Baptiste Carelus

Executive Summary

- The number of private equity (PE)-owned U.S. insurers identified by the NAIC Capital Markets Bureau remained at 137 as of July 2024, compared to July 2023, but was up slightly from 132 at year-end 2022.
- Total cash and invested assets for the 137 PE-owned insurers increased 13.5% to \$605.7 billion in book/adjusted carrying value (BACV) based on year-end 2023 NAIC annual statement filings, representing 7.1% of total U.S. insurers' total cash and invested assets.
- Bonds and mortgages continue to be the two largest asset types for PE-owned U.S. insurers, at 63% and 17% of total cash and invested assets, respectively, at year-end 2023.
- Corporate bonds are also still the largest bond type accounting for about half of all total bonds held by PE-owned insurers; however, exposure has been on a declining trend over the last few years.
- While the BACV of asset-backed and other structured securities (i.e., nontraditional bonds) increased year-over-year (YOY), the percentage of total bonds remained the same at 29%; in comparison, they were 12% of total bonds for the overall U.S. insurance industry.
- Consistent with prior years, over 90% of all bond investments held by PE-owned insurers carried NAIC 1 and NAIC 2 designations, implying high credit quality.
- The BACV of other long-term invested assets reported in Schedule BA, as well as short-term investments reported in Schedule DA, remained relatively unchanged YOY.

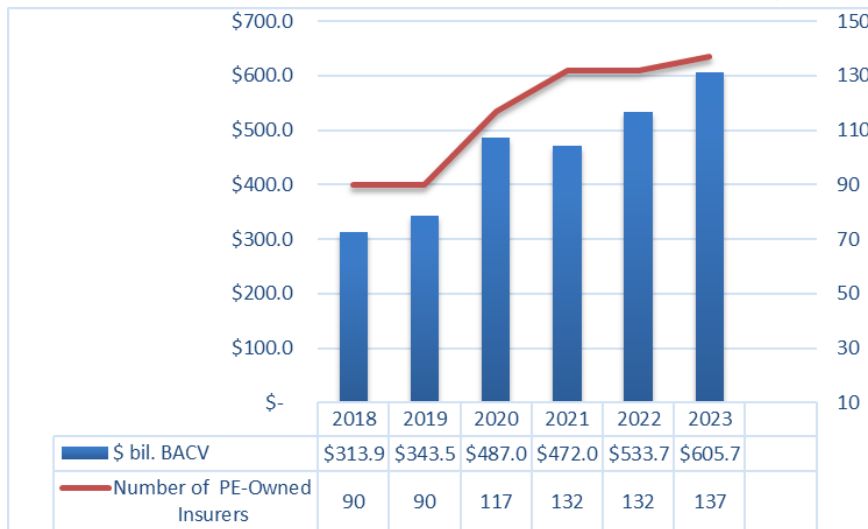
Consistent with prior years, the NAIC Capital Markets Bureau identifies U.S. insurers that are private equity (PE)-owned via a manual process. First, it identifies PE-owned insurers based on those that have reported any percentage of ownership by a PE firm in Schedule Y and other means of identification, such



as using third-party sources, including directly from state regulators. As such, the number of U.S. insurers that are PE-owned continues to evolve.¹

Over the last 12 months ending July 2024, the number of PE-owned U.S. insurers has remained unchanged at 137. While this is a small increase from 132 at year-end 2022 and year-end 2021, it is a 50% increase from the 90 PE-owned U.S. insurers reported in 2018. (Refer to Chart 1.) In addition, for the five years ending 2023, total investments for PE-owned U.S. insurers increased 93%.

Chart 1: PE-Owned U.S. Insurers’ Total Investments 2018-2023 (\$ bil. BACV)



Total cash and invested assets for the 137 PE-owned U.S. insurers increased by 13.5% to \$605.7 billion in book/adjusted carrying value (BACV) at year-end 2023, from about \$533.7 billion at year-end 2022. (Refer to Table 1 and Table 2.) The BACV of total cash and invested assets for PE-owned insurers was about 7.1% of the U.S. insurance industry’s \$8.5 trillion at year-end 2023, representing an increase from 6.5% at year-end 2022. Life companies accounted for 95% of PE-owned insurers’ total cash and invested assets at year-end 2023, which was the same at year-end 2022. Property/casualty (P/C) companies accounted for 4% of total cash and invested assets, and title and health companies accounted for the 1% remainder in both 2023 and 2022.

¹ The names of particular U.S. insurers that are PE-owned is proprietary and available only to state insurance regulators.

**Table 1: PE-Owned U.S. Insurer Investments as of Year-End 2023 (\$ bil. BACV)**

Asset Type	Life	P/C	Title & Health	Total	Pct of Total
Bonds	359.3	19.8	0.4	379.6	63%
Mortgages	102.1	0.4	0.0	102.5	17%
Cash & Short-Term Investments	47.8	2.4	0.5	50.6	8%
BA	36.0	0.7	0.0	36.7	6%
Common Stock	12.2	3.1	0.0	15.3	3%
Derivatives	7.1	0.0	0.0	7.1	1%
Contract Loans	6.4	0.0	0.0	6.4	1%
Preferred Stock	3.6	0.1	0.0	3.6	1%
Other Receivables	3.4	0.1	0.0	3.5	1%
Real Estate	0.3	0.0	0.0	0.4	0%
Total	578.2	26.5	1.0	605.7	100%
Pct of Total	95%	4%	0%		

Note: Percentages may not total 100% due to rounding.

Table 2: PE-Owned U.S. Insurer Investments as of Year-End 2022 (\$ bil. BACV)

Asset Type	Life	P/C	Title & Health	Total	Pct of Total
Bonds	335.1	17.3	0.3	352.8	66%
Mortgages	80.4	0.4	0.0	80.7	15%
Cash & Short-Term Investments	28.6	2.1	0.6	30.7	6%
BA	33.8	0.7	0.0	34.5	6%
Common Stock	11.9	2.9	0.0	14.7	3%
Derivatives	6.2	0.0	0.0	6.2	1%
Contract Loans	5.8	0.0	0.0	5.8	1%
Other Receivables	4.2	0.0	0.0	4.2	1%
Preferred Stock	2.9	0.1	0.0	3.0	1%
Real Estate	0.2	0.0	0.0	0.3	0%
Total	509.2	23.5	1.0	533.7	100%
Pct of Total	95%	4%	0%		

Note: Percentages may not total 100% due to rounding.

At year-end 2023, the number of PE-owned U.S. insurers that were also Federal Home Loan Bank (FHLB) members increased to 29 from 24 at year-end 2022. Life companies accounted for the majority, or 21 in total. Thirteen life companies reported about \$15.4 billion in FHLB borrowings or advances.

Bonds Are Still the Largest Asset Type, Followed by Mortgages

Similar to prior years, the two largest asset types held by PE-owned insurers were bonds and mortgages. Since at least 2021, exposure to bonds has been steadily declining as a percentage of total cash and invested assets, while exposure to mortgages has steadily increased. At year-end 2023, bonds accounted for \$379.6 billion in BACV, or 63% of PE-owned insurers' total cash and invested assets, compared to \$352.8 billion, or 66% of total cash and invested assets in 2022. At year-end 2021, bonds were 69% of total cash and invested assets. For the overall U.S. insurance industry, bonds were also the largest asset type at almost 61% of total cash and invested assets. (Refer to the special report published by the NAIC



Capital Markets Bureau, "[U.S. Insurance Industry's Cash and Invested Asset Rise to \\$8.5 Trillion at Year-End 2023](#)," in May 2024.)

Conversely, exposure to mortgages at year-end 2023 was \$102.5 billion, or 17% of total cash and invested assets, compared to \$80.7 billion, or 15% of total cash and invested assets in 2022, and 13% of total cash and invested assets in 2021. Mortgages were the second-largest asset type for PE-owned U.S. insurers. The increase in mortgage exposure may be due in part to the attractive nature of mortgages to life companies (i.e., asset-liability match), which comprised the majority of PE-owned insurers, as well as the attractive returns when compared to more traditional investments. For the overall U.S. insurance industry, mortgages were 9% of total cash and invested assets, having increased from about 6% in 2010. Mortgages were the third-largest asset type for all U.S. insurers at year-end 2023 and the second-largest for life companies.

Cash and short-term investments were the third-largest asset type for PE-owned insurers. They increased to \$50.6 billion, or 8% of total cash and invested assets at year-end 2023, from \$30.7 billion, or 6% at year-end 2022. Schedule BA investments, or other long-term investments, were relatively unchanged year-over-year (YOY) in terms of percentage, totaling \$36.7 billion, or 6% of total PE-owned insurers' cash and invested assets at year-end 2023, compared to \$34.5 billion at year-end 2022.

Common stock percentage also remained unchanged YOY and was 3% of total cash and invested assets. In terms of BACV, common stock was \$15.3 billion and \$14.7 billion, respectively, for PE-owned insurers at year-end 2023 and 2022. For *all* U.S. insurers, common stock was the second-largest asset type at year-end 2023, at about 14% of total cash and invested assets (or \$1.2 trillion). The smaller exposure among PE-owned insurers is largely due to life companies accounting for the majority of PE-owned insurers, and P/C companies have a larger exposure to common stock than life companies.

Corporate Bonds Remain the Largest Bond Type

Consistent with previous years' trends, corporate bonds remain the largest bond type among PE-owned U.S. insurers. Despite a small increase in BACV to \$183.8 billion at year-end 2023 from \$177.3 billion at year-end 2022, corporate bonds decreased in percentage terms to 48% of total bonds from 50% in 2022. (Refer to Table 3.) In comparison, for *all* U.S. insurers, corporate bonds have historically been the largest bond investment and were about 55% of total bonds at year-end 2023; in previous years, they were in the mid-50% range.

**Table 3: PE-Owned U.S. Insurer Bond Investments, 2021-2023 (\$ bil. BACV)**

Bond Type	PE-Owned YE2023	Pct of Total - PE-Owned YE2023	Pct of Total PE-Owned YE2022	Pct of Total PE-Owned YE 2021	All U.S. Insurers YE2023
ABS and Other Structured Securities	110.5	29%	29%	28%	12%
Agency-Backed CMBS	1.3	0%	0%	0%	1%
Agency-Backed RMBS	7.6	2%	1%	2%	5%
Bank Loans	6.5	2%	2%	2%	2%
Corporate Bonds	183.8	48%	50%	52%	55%
Foreign Government	2.5	1%	1%	1%	1%
Municipal Bonds	15.6	4%	5%	5%	9%
Private-Label CMBS	24.1	6%	6%	6%	1%
Private-Label RMBS	16.4	4%	4%	4%	5%
U.S. Government	11.1	3%	2%	2%	7%
Total	379.6	100%	100%	100%	100%

PE-owned U.S. insurers' investment in asset-backed securities (ABS) and other structured securities was the second-largest bond investment at year-end 2023, similar to previous years. While they increased to \$110.5 billion in BACV from \$102.4 billion in 2022, as a percentage of total bond investments, ABS and other structured securities remained unchanged at 29%. This, though, is a small increase from 28% of total bond investments in 2021. In comparison, ABS and other structured securities for *all* U.S. insurers were significantly less at 12% of total bonds at year-end 2023, and yet they were also the second-largest bond type.

Investments in private-label residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) totaled 10% of total bond investments for PE-owned insurers for each of the three years ending 2023, compared to 3.7% for the overall U.S. insurance industry at year-end 2023. Private-label RMBS and CMBS represent investments in nontraditional or alternative assets, and as such, they have higher yields because of higher risk due to a more complex capital structure than traditional bonds. Furthermore, exposure to municipal bonds for PE-owned insurers as a percentage of total bond investments decreased to 4% in 2023 from 5% in both 2022 and 2021, compared to 9% for all U.S. insurers at year-end 2023. Municipal bonds are considered relatively safe fixed-income investments and tend to be more heavily invested by P/C companies.

A higher concentration of nontraditional, higher-yielding bonds exists for PE-owned insurers compared to the overall U.S. insurance industry, and, in turn, so does the potential for increased volatility and risk. Conversely, there is a higher concentration of investments in municipal bonds, agency-backed RMBS, and U.S. government securities, which tend to carry less credit risk, for *all* insurers within the U.S. insurance industry.

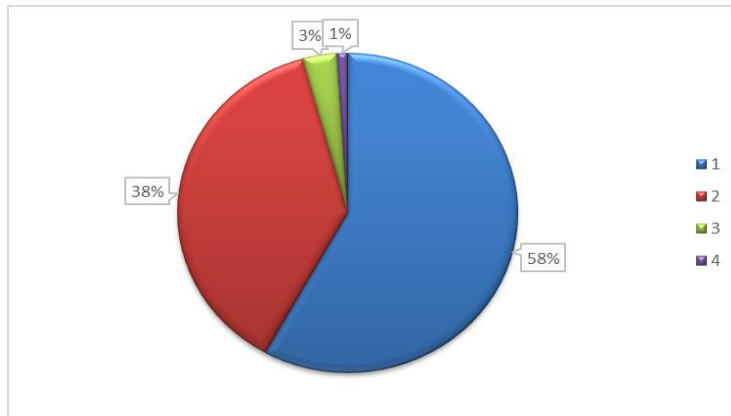
Bond Investments Carry High Credit Quality

Bonds held by PE-owned insurers have consistently been of high credit quality, evidenced by the NAIC designations. (Refer to Chart 2.) At year-end 2023, bonds carrying NAIC 1 designations increased by two percentage points to a total of 58% of total bonds, coinciding with a 2% decrease in bonds carrying NAIC



2 designations to 38% of total bonds. Similar to the year prior, bonds with high credit quality comprised 96% of total bonds at year-end 2023. The remaining 4% of bond investments carried NAIC 3 and NAIC 4 designations. Within PE-owned insurers' bond investments, 90% of ABS and other structured securities carried NAIC 1 and NAIC 2 designations, representing a small decrease from 95% at year-end 2022. Notwithstanding, the high concentration of high credit quality exposure perhaps mitigates any concern over the relatively large investment concentration in these nontraditional bonds and any concern that may arise when the markets experience volatility.

Chart 2: PE-Owned Bond Investments' Credit Quality – NAIC Designations, Year-End 2023



Proportion of Schedule BA Investments Remains Stable

Investments in Schedule BA – Other Long-Term Invested Assets held by PE-owned insurers increased about 6% to \$36.7 billion at year-end 2023 from \$34.5 billion at year-end 2022. The percentage of Schedule BA investments, however, has remained the same from 2021 through 2023, at 6% of total PE-owned insurer-invested assets. In comparison, total Schedule BA investments held by *all* U.S. insurers were also about 6% of the industry's total cash and invested assets at year-end 2023, down slightly from 6.6% at year-end 2022. Similar to 2022, *unaffiliated* Schedule BA investments were about 36% of total PE-owned U.S. insurers' Schedule BA investments at year-end 2023. They totaled \$13.1 billion, up slightly from \$12.7 billion in 2022. For the overall U.S. insurance industry, unaffiliated Schedule BA investments were 52% of total Schedule BA investments at year-end 2023.

The largest asset type within Schedule BA for PE-owned U.S. insurers was in collateral loans at 41%, totaling about \$15 billion, up from \$12.9 billion at year-end 2022, or 38% of total Schedule BA investments. This was followed by \$10.4 billion in PE—i.e., common stock (joint venture), representing 28% of total Schedule BA investments—down from 30% at year-end 2022 (despite no YOY change in BACV). For *all* U.S. insurers, PE investments comprised 37% of total Schedule BA investments at year-end 2023, and collateral loans were one of the smallest asset types at almost 4% of total Schedule BA investments.



Percentage of Short-Term Investments Decreases; BACV Remains Stable

At year-end 2023, PE-owned U.S. insurers held about \$12.2 billion in short-term investments, or those reported in Schedule DA, out of a total of about \$149.7 billion for the overall U.S. insurance industry. While the BACV remained relatively unchanged from the year prior, the percentage of short-term investments decreased to about 8% of the total at year-end 2023, from 10.5% of total Schedule DA investments at year-end 2022. In addition, about \$2.9 billion of all PE-owned Schedule DA assets at year-end 2023 were reported as affiliated investments, or 24%, which is a slight increase in BACV from \$2.3 billion at year-end 2022 but a relatively large increase in percentage, from 19% at year-end 2022.

At year-end 2023, the top 10 PE-owned U.S. insurers (all life companies) accounted for almost 90% of PE-owned insurers' short-term investments, with the largest one accounting for 19%.

PE Firms and the U.S. Insurance Industry

Rising interest rates, high inflation, and low historical merger and acquisition (M&A) activity have, in part, impacted PE firms' acquisition of U.S. insurers because there have been no new PE-owned insurer acquisitions since 2022 reported by insurers. Initially triggered by what was a lower-for-longer interest rate environment, PE firms were attracted to the additional steady source of premium income from insurers, as well as the opportunity to add to assets under management and generate fee income from investment management opportunities. Because of the increased activity with PE firms acquiring U.S. insurers, state insurance regulators established an initiative to assess any negative implications. The Macroprudential (E) Working Group of the Financial Stability (E) Task Force created and maintains the [List of 13 PE Considerations](#) to review activities associated with PE-owned insurers.

PE-owned insurers may leverage the capital markets networks of their parent company for higher risk and less liquid assets that, in turn, have the potential for increased volatility. This is evidenced by higher concentrations of nontraditional bond investments than the overall U.S. insurance industry. Notwithstanding, whether or not insurers are owned by PE firms, investment activity must abide by applicable state insurance laws.

The NAIC Capital Markets Bureau will continue to monitor trends in PE-owned U.S. insurer investments and report as deemed appropriate.

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

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