NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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 webpage and the NAIC archives (for reports published prior to 2016).

Small Increase to U.S. Insurers' Bank Loan Investments at Year-End 2024

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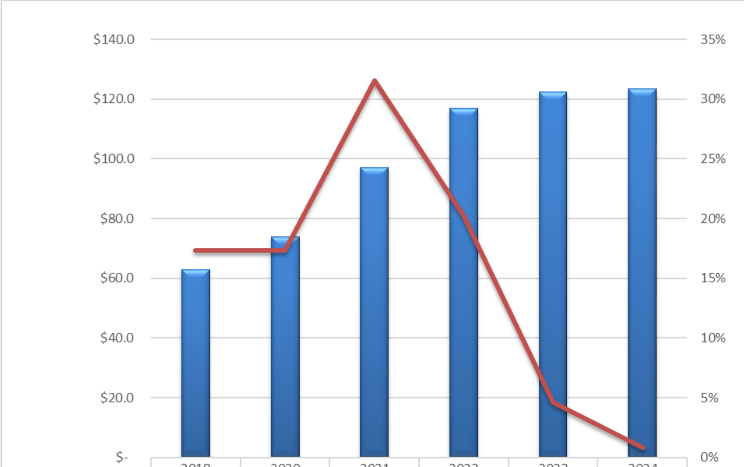
Executive Summary

- As reported by U.S. insurers in the NAIC annual statement filings, bank loan investments totaled $123.4 billion in book/adjusted carrying value (BACV) at year-end 2024, representing a small increase from about $122 billion at year-end 2023.
- From 2022 through 2024, bank loans were 1.4% of U.S. insurers' total cash and invested assets; in comparison, they were less than 1% of total cash and invested assets in 2019.
- Almost 90% of U.S. insurers' bank loan investments were acquired, and 94% were unaffiliated.
- Large insurers, or those with more than $10 billion in assets under management, accounted for 91% of U.S. insurers' bank loan exposure, up from 82% in 2023.
- Half of U.S. insurers' bank loan investments were high quality or investment grade based on NAIC 1 and NAIC 2 designations, which coincided with a decrease in below investment grade credit quality bank loans.
- At year-end 2024, and similar to the year prior, 25 insurance companies accounted for 75% of U.S. insurers' total bank loan investments, and the top 10 accounted for about 60%.

U.S. insurers' bank loan investments totaled $123.4 billion in book/adjusted carrying value (BACV) at year-end 2024, almost all of which was reported in Schedule D, Part 1. Approximately 1% of the total was reported in Schedule DA and Schedule E, Part 2. At year-end 2024, U.S. insurers' bank loan investments increased less than 1% from $122 billion at year-end 2023. (Refer to Chart 1.) From 2019 through 2022, U.S. insurers' bank loan investments increased at double-digit rates before slowing to a 4.6% increase from 2022 to 2023. Despite the decreased growth rate over the last two years, U.S. insurers' bank loan investments increased by about 96% for the five years ending 2024.

September 2025

Chart 1: U.S. Insurers' Historical Bank Loan Exposure, 2019–2024 ($bil. BACV)



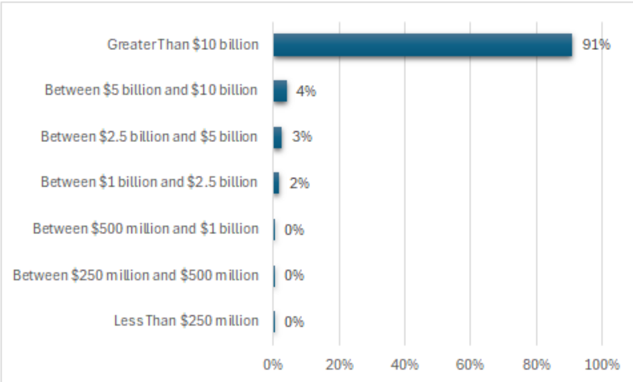
	2019	2020	2021	2022	2023	2024
$bil BACV	$63.0	$73.9	$97.2	$116.9	$122.3	$123.4
% Change	17.3%	17.3%	31.5%	20.3%	4.6%	0.9%

Bank loans comprised 1.4% of U.S. insurers' total cash and invested assets at year-end 2022, 2023, and 2024, having increased from less than 1% at year-end 2019. At year-end 2024, and similar to the prior year, unaffiliated bank loans accounted for 94% of U.S. insurers' bank loan investments. About 87% of U.S. insurers' bank loan investments were acquired at year-end 2024, with the remaining 13% having been issued by the reporting entities (i.e., the insurers themselves). In comparison, at year-end 2023, 73% of U.S. insurers' bank loan investments were acquired. Consistent with year-end 2023, 85% of U.S. insurers' bank loan investments were held by life insurers; property/casualty (P/C) insurers accounted for 13% at year-end 2024 and year-end 2023, and health and title insurers held the remainder.

Large Life Insurers Account for the Majority of U.S. Insurers' Bank Loan Exposure

Large insurers, or those with more than $10 billion in assets under management, accounted for 91% of the industry's bank loan investments at year-end 2024. (Refer to Chart 2.) Large life insurers accounted for 81% of this total. The remaining 9% of U.S. insurers' bank loan investments at year-end 2024 were primarily held by insurers with between $1 billion and $10 billion in assets under management, not unlike the prior year.

Chart 2: Bank Loan Exposure by Assets Under Management, Year-End 2024 (% of Total BACV)

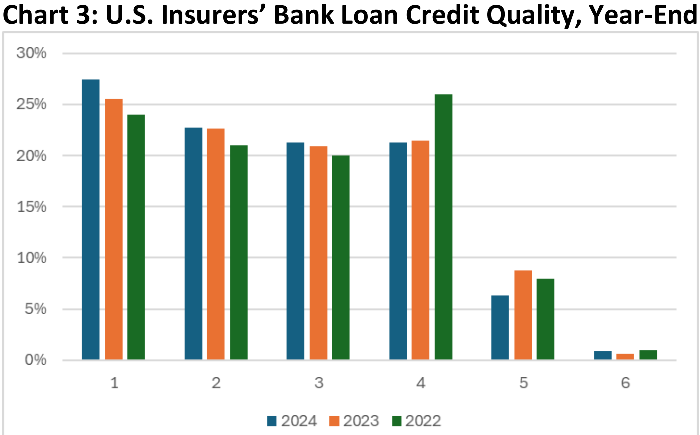


Consistent with year-end 2023, 25 U.S. insurers accounted for 75% of U.S. insurers' bank loan investments at year-end 2024, and the top 10 accounted for about 60% of the total. The majority of the top 10 insurers were life companies, and one life insurer accounted for 31% of U.S. insurers' total bank loan exposure, an increase from 29% the prior year.

Improvement in Credit Quality

Improvements in the credit quality of U.S. insurers' bank loan investments have been gradual over the last few years. At year-end 2024, bank loans carrying NAIC 1 and NAIC 2 designations increased to 50% of the total, from 49% and 45% at year-end 2023 and year-end 2022, respectively. (Refer to Chart 3.) In particular, bank loans carrying NAIC 1 designations increased to 27% of the total at year-end 2024 from 26% at year-end 2023 and 24% at year-end 2022. Conversely, 41% of bank loan investments with NAIC 3 and NAIC 4 designations (implying below investment grade credit quality, or the BB and B-rating categories) decreased to 41% of the total at year-end 2024, down from 42% and 46% at year-end 2023 and year-end 2022, respectively.

Chart 3: U.S. Insurers' Bank Loan Credit Quality, Year-End 2022-2024

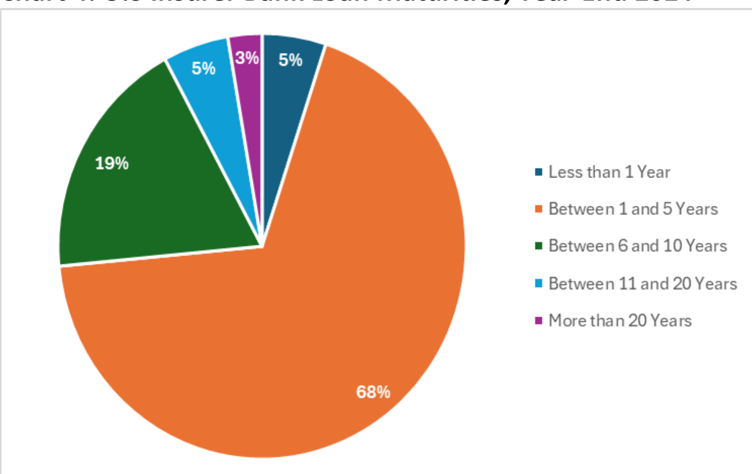


Senior secured bank loans comprised 58% of U.S. insurers' total bank loan investments at year-end 2024, which was an increase from 38% in 2023. Bank loans that were senior unsecured decreased to 37% at year-end 2024 from 58% at year-end 2023. The proportion of senior secured and senior unsecured bank loans held by U.S. insurers, as well as year-over-year (YOY) changes, could reflect the market's bank loan inventory. Senior secured bank loans represent a senior position in terms of payment in the borrower's capital structure. Therefore, they carry less risk than bank loans that are unsecured or subordinated debt. Only 1% of U.S. insurers' bank loans represented subordinated debt at year-end 2024 and year-end 2023.

Consistent with Prior Years, the Majority of Bank Loans Mature in Less than 10 Years

U.S. insurers reported about 92% of bank loans having maturities of 10 years or less as of year-end 2024, with the majority, or 68% of the total, having maturities between one and five years. (Refer to Chart 4.)

Chart 4: U.S Insurer Bank Loan Maturities, Year-End 2024



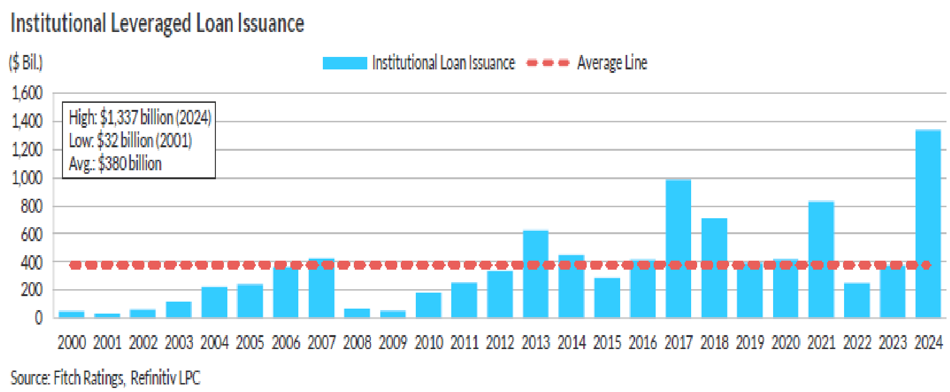
Leveraged Bank Loans Achieve Record Issuance in 2024

New U.S. institutional leveraged loan issuance increased more than 250% to $1.34 trillion in 2024, from about $300 billion in 2023, according to Fitch Ratings (Fitch).[1] (Refer to Chart 5.) Throughout 2023 and 2024, significant spread-tightening occurred, particularly as the Federal Reserve raised interest rates to combat inflation and slow economic growth in 2024. As a result, an influx of loan refinancings and repricings, along with a high demand for collateralized loan obligations (CLOs), triggered new leveraged loan activity. Since most activity was in refinancings and repricings, there was a minimal effect on the outstanding volume of leveraged loans. Investors, however, continued to seek investment in CLOs—the largest acquirer of leveraged loans—as they upheld performance through the financial crisis, and they have more attractive, higher yields than comparably-rated bonds such as Treasuries. About 92% of outstanding leveraged loans were broadly syndicated and are commonly included as collateral in

[1] Fitch Ratings, *The 2025 Annual Manual*, April 2025.

broadly syndicated loan (BSL) CLOs, while the remaining 8% were issued as leveraged middle market loans. According to Fitch, leveraged loans outstanding at year-end 2024 decreased to about $1.5 trillion across 1,260 issuers at year-end 2024, from $1.7 trillion across approximately 1,700 issuers at year-end 2023.

Chart 5:

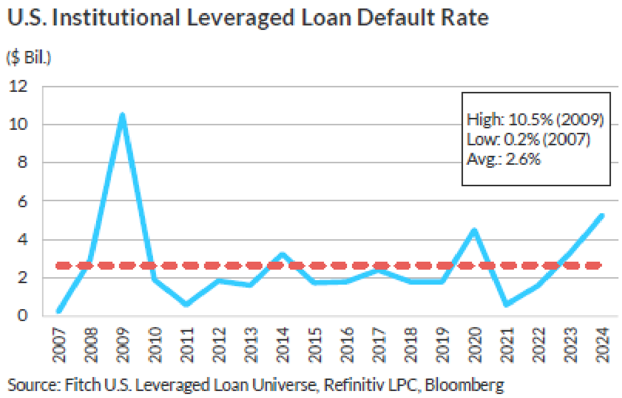


Leveraged bank loans represent senior secured credit of a company, near the highest level of its capital structure, and they are often first in terms of payment priority. Leveraged loans are typically lent to companies with speculative-grade, or high-yield credit quality (i.e., rated BB+ or lower) by a group of lenders, also known as a syndicate. Institutional leveraged bank loan investors include not only insurance companies, but also finance companies, pension funds, and CLOs. Based on data reported by U.S. insurers in the annual statement filings, about one-fifth of bank loan investments, or approximately $27 billion, were considered leveraged bank loans at year-end 2024, based on the assigned NAIC 3 and NAIC 4 designations, as well as their reported senior secured capital structure position.

Leveraged Loan Default Rate Increases

According to Fitch, the default rate on leveraged loans reached 5.3% at year-end 2024, which was the highest since 10.5% in 2009. (Refer to Chart 6.) The high 2024 default rate was primarily due to "…large multibillion [dollar] defaults across 26 issuers…", according to Fitch, whereas the 2009 default rate was a consequence of the Great Recession. The average par-weighted default rate from 2007 to 2024 was 2.6%.

Chart 6:



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.

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