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U.S. Insurance Industry's Cash and Invested Assets Rise Over 5% to Close in on $9 Trillion as of Year-End 2024

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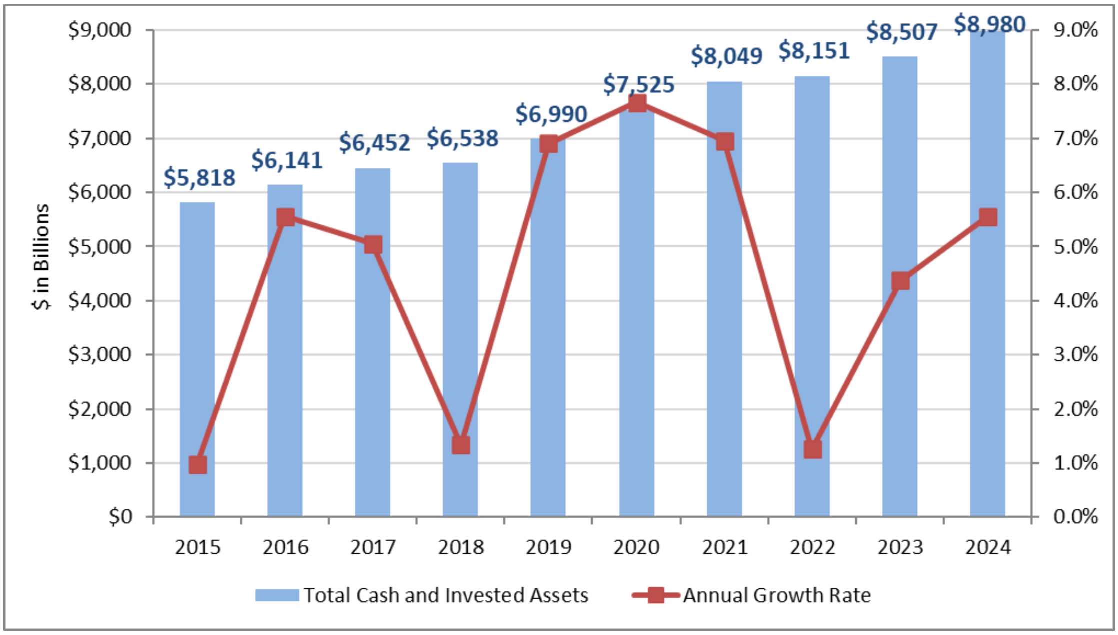
Executive Summary

- The U.S. insurance industry's total cash and invested assets increased 5.3% year-over-year (YOY), reaching $8.98 trillion as of year-end 2024.
- Bonds, common stocks, mortgages, and other long-term invested assets reported in Schedule BA remained the four largest asset classes.
- Schedule BA assets and mortgage investments grew faster than U.S. insurers' overall investment portfolio, increasing by 7.8% and 6.5%, respectively, compared to the prior year.
- The share of bonds in the U.S. insurance industry's investment portfolio declined slightly to 60.4% at year-end 2024, while the share of cash and short-term investments increased to 6.3%.
- Among bond holdings, the fastest-growing segments in 2024 included private-label residential mortgage-backed securities (RMBS), agency-backed RMBS, and asset-backed securities (ABS) and other structured securities, with exposure increasing 23%, 14%, and 12%, respectively, YOY.
- Bond credit quality improved, reaching its strongest level since 2007, with bonds designated NAIC 1 and NAIC 2 comprising 95.1% of total bond holdings as of year-end 2024.

At year-end 2024, U.S. insurance companies reported total cash and invested assets of $8.98 trillion, encompassing both affiliated and unaffiliated investments. This represents a 5.3% increase from year-end 2023, building on the 4.4% growth recorded in the prior year. As illustrated in Chart 1, the book/adjusted carrying value (BACV) of total cash and invested assets has steadily risen from 2015 to 2024, with year-over-year (YOY) growth rates improving in the last two years. Over the 10-year period, the BACV has increased by approximately 54%, reflecting strong and sustained expansion on an absolute dollar basis.

Chart 1: Historical U.S. Insurance Industry Total Cash and Invested Assets, Year-End 2015–2024



Note: Includes affiliated and unaffiliated investments.

Bond Share Slips to 60% of Cash and Invested Assets

The composition of investments within the U.S. insurance industry's asset portfolio has remained relatively stable, reflecting the sector's substantial scale. Since at least 2010, when the NAIC Capital Markets Bureau began tracking insurers' investment trends, the four largest asset classes have remained consistent. Bonds continued to represent the largest share, accounting for 60.4% of total cash and invested assets at year-end 2024, only slightly down from 60.8% at year-end 2023. (Refer to Table 1 and Table 2.) Over the longer term, insurers' bond allocations have gradually declined from around 70% at year-end 2010, likely as companies sought higher returns in other asset classes amid a prolonged low interest rate environment.

Common stocks remained the second-largest asset class in the U.S. insurance industry's portfolio, though their reported BACV declined by nearly 1% to $1.17 trillion at year-end 2024. Its share of total cash and invested assets also fell to 13.1% from 13.9% in 2023 despite strong equity market performance in 2024. This suggests that insurers may have rebalanced their portfolios to manage risk or lock in gains amid expected market uncertainty and volatility. Property/casualty (P/C) companies continued to dominate equity holdings, accounting for 77% of the industry's total common stock exposure. Going forward, allocation to equities may fluctuate based on market dynamics and insurers' shifting risk appetites.

According to a mark-to-market analysis of year-end 2023 investments, U.S. insurers' unaffiliated publicly traded common stock holdings experienced a weighted average 20% increase in value in 2024, slightly underperforming the Standard & Poor's 500 index's (S&P 500) 23% return over the same period. The modest gap may reflect differences in portfolio composition, with insurers potentially favoring more conservative or dividend-oriented equities compared to the broader index.

Table 1: Total U.S. Insurance Industry Cash and Invested Assets by Asset Class and Insurer Type, Year-End 2024 (BACV$ in Millions)

Asset Class	Life	P/C	Health	Title	Total	% of Total
Bonds	3,802,282	1,411,810	203,260	6,163	5,423,514	60.4%
Common Stocks	223,851	899,456	47,684	2,654	1,173,646	13.1%
Mortgages	786,921	33,397	919	6	821,243	9.1%
Schedule BA and Other Assets	374,460	178,967	24,454	464	578,346	6.4%
Cash and Short-Term Investments	198,199	294,187	71,463	2,000	565,849	6.3%
Contract Loans	147,675	1	0	-	147,677	1.6%
Derivatives	121,656	1,929	6	-	123,591	1.4%
Real Estate	21,999	12,918	6,434	182	41,533	0.5%
Preferred Stocks	18,541	15,365	1,107	200	35,212	0.4%
Securities Lending (Reinvested Collateral)	24,480	6,429	3,168	-	34,077	0.4%
Aggregate Write-Ins	21,369	2,013	311	1	23,695	0.3%
Receivables for Securities	9,786	1,915	279	3	11,983	0.1%
Total	**5,751,220**	**2,858,387**	**359,086**	**11,673**	**8,980,366**	**100%**
% of Total	64.0%	31.8%	4.0%	0.1%	100%	

Note: Numbers in the table have been rounded.

Table 2: Total U.S. Insurance Industry Cash and Invested Assets by Asset Class and Insurer Type, Year-End 2023 (BACV$ in Millions)

Asset Class	Life	P/C	Health	Title	Total	% of Total
Bonds	3,658,290	1,305,183	200,217	6,012	5,169,703	60.8%
Common Stocks	220,000	914,299	47,778	2,711	1,184,787	13.9%
Mortgages	733,801	33,476	749	7	768,033	9.0%
Schedule BA and Other Assets	344,958	164,942	23,019	577	533,496	6.3%
Cash and Short-Term Investments	190,594	201,096	77,350	1,647	470,687	5.5%
Contract Loans	138,926	2	1	-	138,928	1.6%
Derivatives	102,006	2,463	27	-	104,496	1.2%
Real Estate	22,767	12,830	6,573	202	42,372	0.5%
Preferred Stocks	17,660	15,279	997	150	34,086	0.4%
Aggregate Write-Ins	22,107	2,849	343	1	25,300	0.3%
Securities Lending (Reinvested Collateral)	15,380	5,658	2,771	-	23,809	0.3%
Receivables for Securities	8,829	2,478	399	6	11,712	0.1%
Total	**5,475,318**	**2,660,556**	**360,222**	**11,313**	**8,507,410**	**100%**
% of Total	64.4%	31.3%	4.2%	0.1%	100%	

Note: Numbers in the table have been rounded.

Mortgage loans and Schedule BA assets represented the third and fourth largest asset categories within the U.S. insurance industry's investment portfolio, comprising 9.1% and 6.4%, respectively, of total cash and invested assets as of year-end 2024. On a BACV basis, industry exposure to both asset classes increased YOY—mortgages by approximately 7% and Schedule BA assets by approximately 8%. However, their proportional share of total cash and invested assets remained largely consistent, indicating growth in line with the overall investment base. Mortgage loans continue to serve as a core allocation for life insurers, accounting for 96% of the industry's total mortgage exposure. Life insurers were also the predominant holders of Schedule BA assets, with 65% of the industry's exposure.

U.S. insurers' BACV holdings in cash and short-term investments increased 20% YOY, rising to 6.3% of total invested assets from 5.5% in the prior year. P/C insurers drove much of this increase, expanding their allocations to cash and short-term instruments by nearly 50% YOY, potentially in response to elevated catastrophe losses and a preference for liquidity.

The distribution of cash and invested assets across insurer types has remained relatively stable over at least 15 years, indicating a consistent proportional contribution by each segment to the industry's overall investment portfolio. At year-end 2024, life companies represented the largest share, or 64%, of the industry's total cash and invested assets, and P/C companies accounted for almost 32%. Health and title companies together represented the remaining 4% of the industry's total cash and invested assets.

P/C companies were the primary drivers of overall growth in cash and invested assets, reporting a 7% YOY increase. Life and title insurers also reported gains, though at more moderate rates of 5% and 3%, respectively. In contrast, health insurers' cash and invested assets decreased slightly, by 0.3% compared to the prior year.

RMBS and ABS See Strong Growth in Exposure

The U.S. insurance industry's exposure to bonds totaled $5.4 trillion as of year-end 2024, an increase of 4.9% compared to the prior year. (Refer to Table 3 and Table 4.) Corporate bonds remained by far the largest bond type in U.S. insurer investment portfolios, accounting for 54.9% of total bond holdings. The second and third largest bond types were asset-backed securities (ABS) and other structured securities and municipal bonds, representing 12.9% and 8.0% of bond portfolios, respectively. The allocation to ABS and other structured securities has continued its upward trend, rising from 12.1% at year-end 2023, suggesting a continued search for yield and diversification beyond traditional corporate bonds and municipal bonds. The allocation to municipal bonds declined from 9.0%, highlighting a shift away from tax-exempt instruments amid changing market dynamics.

U.S. government bonds, agency-backed residential mortgage-backed securities (RMBS), and private-label commercial mortgage-backed securities (CMBS) accounted for the next three largest bond types. The share of U.S. government bonds in U.S. insurers' bond portfolios remained flat YOY at 6.7%, while the share of agency RMBS increased to 5.7% from 5.2%. In contrast, exposure to private-label CMBS declined modestly to 3.8% from 4.1%, indicating the possibility of heightened caution toward commercial real estate risk amid broader macroeconomic uncertainty.

Table 3: Bond Breakdown by Insurer Type, Year-End 2024 (BACV$ in Millions)

Bond Type	Life	P/C	Health	Title	Total	% of Total
Corporate Bonds	2,325,400	567,628	83,414	3,210	2,979,652	54.9%
ABS and Other Structured Securities	555,332	125,157	18,702	78	699,268	12.9%
Municipal Bonds	192,555	222,558	18,405	806	434,323	8.0%
U.S. Government	148,188	186,780	30,522	618	366,108	6.7%
Agency-Backed RMBS	124,489	149,700	31,585	772	306,547	5.7%
Private-Label CMBS	153,590	45,032	9,387	11	208,020	3.8%
Private-Label RMBS	105,788	35,257	3,900	3	144,948	2.7%
Bank Loans	103,820	16,508	2,212	213	122,753	2.3%
Agency-Backed CMBS	40,659	36,168	2,386	75	79,288	1.5%
Foreign Government	47,342	20,996	1,141	354	69,833	1.3%
Exchange-Traded Funds (ETFs)	5,854	5,727	1,485	13	13,079	0.2%
Other	94	307	120	10	531	0.0%
Total	**3,803,110**	**1,411,817**	**203,260**	**6,163**	**5,424,350**	**100%**
% of Total	70.1%	26.0%	3.7%	0.1%	100%	

Note: Numbers in the table have been rounded.

Table 4: Bond Breakdown by Insurer Type, Year-End 2023 (BACV$ in Millions)

Bond Type	Life	P/C	Health	Title	Total	% of Total
Corporate Bonds	2,254,228	521,320	80,884	3,020	2,859,452.0	55.3%
ABS and Other Structured Securities	493,738	112,051	19,330	62	625,180.3	12.1%
Municipal Bonds	207,852	236,088	22,688	912	467,540.1	9.0%
U.S. Government	143,409	175,160	27,456	599	346,622.8	6.7%
Agency-Backed RMBS	119,592	118,641	29,870	694	268,796.3	5.2%
Private-Label CMBS	154,142	45,718	9,550	9	209,418.8	4.1%
Bank Loans	103,300	16,123	2,011	204	121,637.7	2.4%
Private-Label RMBS	88,061	25,553	3,716	2	117,332.1	2.3%
Agency-Backed CMBS	41,935	29,530	2,159	117	73,741.3	1.4%
Foreign Government	45,935	19,759	1,091	371	67,155.8	1.3%
Exchange-Traded Funds (ETFs)	5,845	4,935	1,293	12	12,083.9	0.2%
Other	254	307	173	11	744.7	0.0%
Total	**3,658,290**	**1,305,184**	**200,218**	**6,012**	**5,169,706**	**100%**
% of Total	70.8%	25.2%	3.9%	0.1%	100.0%	

Note: Numbers in the table have been rounded.

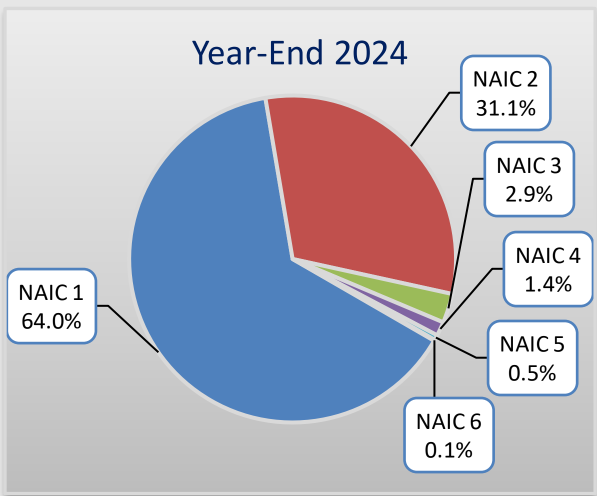
At year-end 2024, the U.S. insurance industry's exposure to private-label and agency-backed RMBS increased by 23% and 14%, respectively, compared to the prior year, making them the two fastest-growing bond types in insurers' portfolios. This growth coincided with robust RMBS issuance, supported by strong mortgage market fundamentals. S&P Global Ratings (S&P Global) projected a 60% YOY surge in private label U.S. RMBS issuance for 2024, driven largely by the prime jumbo/conforming segment and sustained strength in the non-qualified mortgage (non-QM) market.

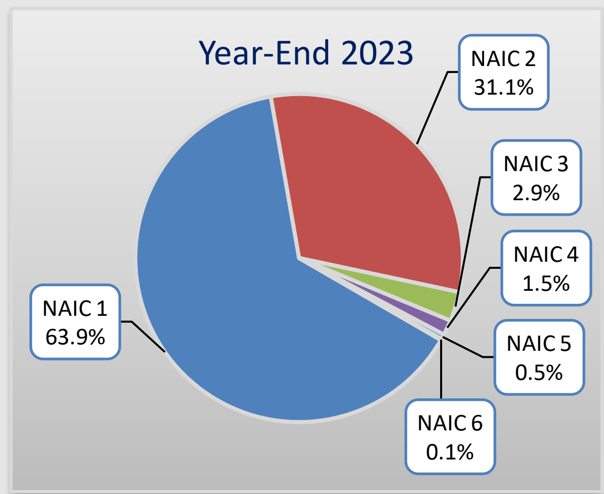
ABS and other structured securities also remained a high-growth segment within bond investments, with insurer exposure increasing nearly 12% in 2024 to $699 billion. This category has consistently posted low double-digit annual growth in exposure each year since 2018. ABS and other structured securities encompass a broad range of structured finance instruments, including consumer ABS, commercial ABS, collateralized loan obligations (CLOs), lease-backed securities, and other types of structured finance investments.

High-Yield Bond Exposure Falls to Lowest Level Since 2007

The credit quality of U.S. insurance companies' bond investments continued to improve in 2024, building on the recovery that began after the broad deterioration triggered by the COVID-19 pandemic in 2020. Investment-grade bonds, or those with reported NAIC 1 or NAIC 2 designations, comprised 95.1% of total bond holdings at year-end 2024, reflecting a slight increase from the previous year. (Refer to Chart 3 and Chart 4.) This modest uptick underscores a continued trend toward higher-quality investments. Conversely, below-investment-grade bonds, or those with reported NAIC 3 designations and lower, declined to 4.9% of total bond exposure, down from a peak of 6.1% in 2020. Notably, high-yield bond exposure sits below the pre-pandemic level of 5.1% at year-end 2019 and has reached its lowest point since 2007.

Chart 3 and Chart 4: Reported Credit Quality of U.S. Insurance Industry's Bond Portfolio at Year-End 2024 and Year-End 2023





While U.S. insurance companies have relatively limited exposure to below-investment-grade bonds, this exposure still warrants close monitoring, especially in a "higher for longer" interest rate environment. Elevated interest rates have resulted in tighter and more costly financing conditions. Highly leveraged companies are especially vulnerable, facing greater refinancing risks and higher debt servicing costs, compounded by weaker cash flows and reduced financial flexibility. In addition, the growing risk of a broad global trade war and heightened policy uncertainty in the U.S. further heighten financial stress and operational challenges.

According to S&P Global, the U.S. trailing 12-month speculative-grade corporate default rate rose to 5.1% as of December 2024, up from 4.5% at the end of 2023, largely reflecting the impact of sustained high interest rates. Going forward, S&P Global's baseline forecast anticipates a decline in default rates to 3.5% by December 2025, as recent refinancing activity has eased immediate liquidity concerns.

However, in a downside scenario involving material credit stress from potential tariffs and political uncertainty, default rates could climb to as high as 6%. These risks underscore the importance of close monitoring, particularly for portfolios with exposure to lower-rated issuers.

The NAIC Capital Markets Bureau will continue to monitor exposure and trends in the U.S. insurance industry's various invested asset types 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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