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

U.S. Insurance Industry's Commercial Mortgage Loan Exposure Rises at Year-End 2024 Amid Stabilizing Valuations

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Executive Summary

- Growth in the U.S. insurance industry's mortgage loans exposure increased to 6.9%, with reported book/adjusted carrying value (BACV) reaching $823 billion at year-end 2024.
- Mortgage loans represented 9.2% of U.S. insurers' total cash and invested assets and approximately 13.7% of life insurers' cash and invested assets.
- Life insurance companies are the third largest lender to the commercial mortgage market, after banks and thrifts, and agency and government-sponsored entities, according to the Mortgage Bankers Association (MBA).
- Office properties declined to the third-largest share of U.S. insurers' mortgage loan exposure, following multifamily and industrial properties.
- MBA data shows that commercial mortgage default rates at life companies continued to compare favorably to defaults at banks and thrifts as of year-end 2024.
- Commercial property values have begun to stabilize and, through the first quarter of 2025, a marked upturn in returns and valuations has been observed in various property sectors, with the exception of the office sector.
- While overall vacancy rates remain elevated compared to pre-pandemic levels, Class A office properties are experiencing renewed higher levels of demand and absorption than Class B and Class C properties, which remain problematic.

U.S. insurance companies invest in a variety of mortgage loans, including commercial, residential, and farm mortgages, as well as mezzanine loans. Life insurance companies are the primary investors in mortgage loans, as these long-term assets align well with their longer-duration liabilities. Property/casualty (P/C), health, and title insurers also allocate to mortgage loans, though to a lesser extent, primarily for portfolio diversification and potential investment risk reduction.

U.S. insurers held $823 billion in book/adjusted carrying value (BACV) of mortgage loans at year-end 2024, a 6.9% increase from the prior year.[1] (Refer to Table 1.) Commercial properties accounted for the majority, or 80.5%, of the exposure. Residential loans continued to be the fastest-growing segment, up nearly 42% after a 38% jump the year before. They represented the second largest mortgage loan type for U.S. insurers, at 14.6%. In comparison, commercial mortgage loans rose a modest 2.8% year-over-year (YOY). Farm and mezzanine loans rounded out the industry's exposure and together accounted for approximately 5% of the industry's mortgage loan portfolio.

Table 1: Total U.S. Insurance Industry Mortgage Loans by Type, Year-End 2024 (BACV$ in Millions)

Mortgage Loan Type	Life	P/C	Health	Title	Total	% of Total
Commercial	631,212	29,920	853	1	661,985	80.5%
Residential	117,312	2,685	50	5	120,052	14.6%
Farm	26,121	282	-	-	26,403	3.2%
Mezzanine	13,596	674	15	-	14,285	1.7%
Total	**788,241**	**33,560**	**919**	**6**	**822,725**	**100.0%**
% of Total	95.8%	4.1%	0.1%	0.0%	100.0%	

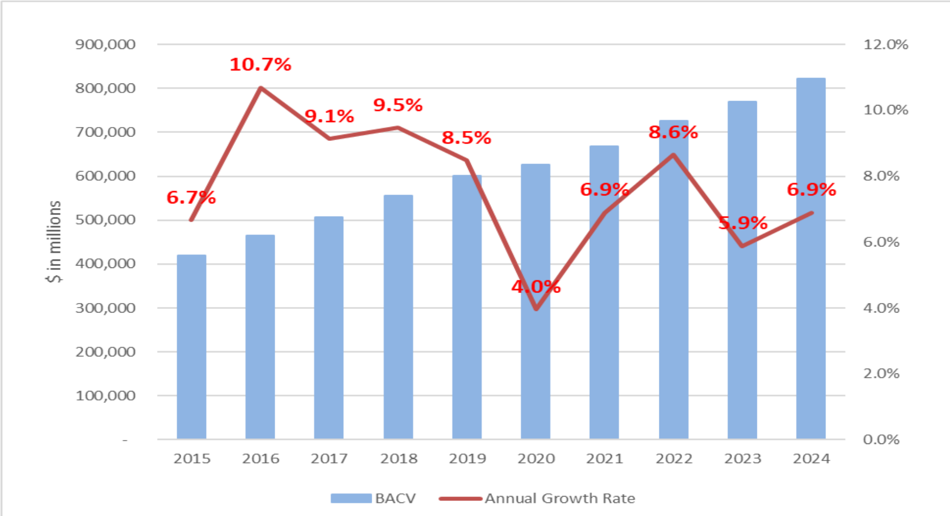
Note: Numbers in the table have been rounded.

Life companies held the vast majority of the industry's mortgage loan investments, or 95.8%, at year-end 2024. In contrast, P/C, health, and title insurers collectively accounted for less than 5% of total mortgage exposure. Mortgage loan holdings increased YOY for life and health insurers, while P/C and title insurers saw modest declines. Mortgage loans continued to be a core component of life insurers' investment portfolio, representing 13.7% of their total cash and invested assets. For P/C, health, and title companies, mortgage loans comprised approximately 1% or less of their respective total cash and invested assets.

U.S. insurers' investments in mortgage loans have steadily increased each year over the last decade, nearly doubling from $420 billion at year-end 2015. Over the past four years, annual growth rates have remained in the mid-single-digit range, rising to 6.9% at year-end 2024 from 5.9% the prior year. (Refer to Chart 1.) As a share of U.S. insurers' total cash and invested assets, mortgage loans accounted for approximately 9.2% at year-end 2024, up from 7.2% in 2015.

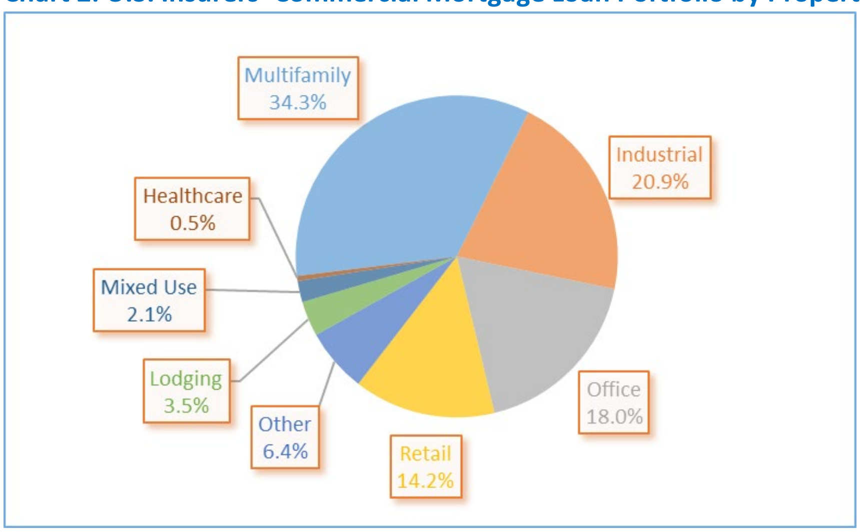
[1] U.S. insurer investments data utilized in this special report is based on the annual statement filings submitted by insurers to the NAIC, unless otherwise noted.

Chart 1: U.S. Insurance Industry Mortgage Loans, Year-End 2015–2024



As of year-end 2024, U.S. insurance companies' $662 billion commercial mortgage loan portfolio was well-diversified across property types. According to data reported by insurers in annual statement filings, multifamily properties represented the largest share of the portfolio at approximately 34%. Industrial properties rose slightly to nearly 21%, up from 19% the previous year, becoming the second largest category and marking the third consecutive year of growth. Office properties, in contrast, declined to 18% of the portfolio, falling to the third-largest segment as insurers remained cautious amid continued uncertainty around return-to-office trends and long-term space utilization. Retail properties ranked fourth at approximately 14%, declining from nearly 15% the prior year. (Refer to Chart 2.)

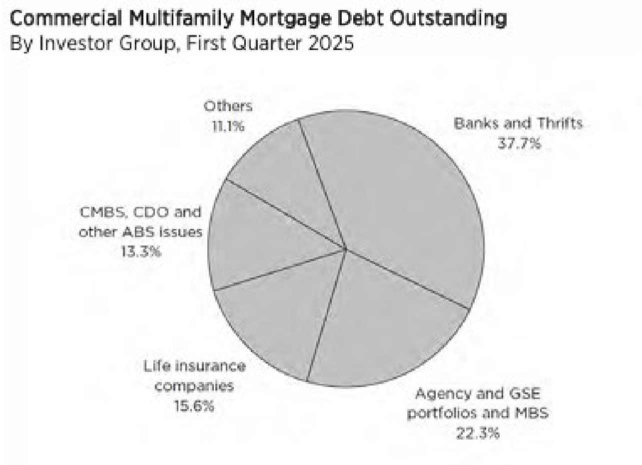
Chart 2: U.S. Insurers' Commercial Mortgage Loan Portfolio by Property Type (Year-End 2024)



Mortgage Loan Defaults Remain Low

According to Mortgage Bankers Association (MBA) data, life insurance companies accounted for 15.6% of commercial mortgages held by all lenders. They were the third largest lender, after banks/thrifts and agency/government-sponsored entity (GSE) mortgage-backed securities, which represented 37.7% and 22.3%, respectively, of outstanding commercial mortgages. (Refer to Chart 3.)

Chart 3:



Source: Mortgage Bankers Association

Due to asset/liability considerations, insurance companies typically invest primarily in what many deem safe, conservative assets. Life insurance companies, in particular, have historically primarily invested in mortgages with low loan-to-value (LTV) ratios and high-debt service coverage (DSC) ratios. As a result, commercial mortgage holdings of insurance companies generally perform better than those held by other various investor groups, and the default and loss rates of these mortgages are among the lowest in the commercial real estate (CRE) lending sector. MBA data shows that commercial mortgage default rates at life companies were 0.43% as of year-end 2024, comparing favorably to 1.26% at banks and thrifts and 5.78% for commercial mortgage-backed securities (CMBS) transactions. (Refer to Table 2.)

Table 2:

Commercial Mortgage Default Rates (%)

	YE2022	YE2023	YE2024
Banks & Thrifts (90+ day)	0.45	0.94	1.26
GSEs			
Freddie Mac (60+ day)	0.12	0.28	0.40
Fannie Mae (60+ day)	0.24	0.46	0.57
Life Insurance Cos. (60+ day)	0.11	0.36	0.43
CMBS (30+ ,REO)	2.90	4.30	5.78

Source: Mortgage Bankers Assn.

Total Commercial Real Estate Exposure Tops $1 Trillion

CRE is firmly entrenched as a core asset class for many investors, including U.S. insurance companies. The U.S. insurance industry is a significant source of capital for the CRE market, investing not only in commercial mortgage loans but also in CMBS, wholly owned real estate, and unsecured bonds issued by real estate investment trusts (REITs). While these assets contribute to portfolio diversification, real estate-related investments are generally illiquid and often lack the credit and pricing transparency of more traditional fixed-income instruments. As a result, they are susceptible to greater price volatility, particularly during periods of market stress, which may present challenges to valuation, risk monitoring, and capital adequacy assessment.

As of year-end 2024, the U.S. insurance industry's total exposure to CRE—including commercial mortgage loans, CMBS, REITs, and real estate—totaled just over $1 trillion in BACV as of year-end 2024, or 11.4% of the industry's total cash and invested assets. (Refer to Table 3.) Commercial mortgage loans continued to represent the largest portion of CRE exposure, accounting for 65% of the total. CMBS followed at 28%, with REITs and real estate comprising the remainder.

Table 3: U.S. Insurance Industry Commercial Real Estate Exposure, Year-End 2024 (BACV$ in Millions)

Asset	Life	P/C	Health	Title	Total	% of Total
Mortgage Loans	631,212	29,920	853	1	661,985	64.8%
CMBS	194,249	81,200	11,773	86	287,308	28.1%
REITs	40,675	9,199	1,694	77	51,644	5.1%
Real Estate	15,879	3,935	242	3	20,059	2.0%
Total	**882,015**	**124,253**	**14,562**	**167**	**1,020,996**	**100.0%**
% of Total	86.4%	12.2%	1.4%	0.0%	100.0%	

Note: Numbers in the table have been rounded.

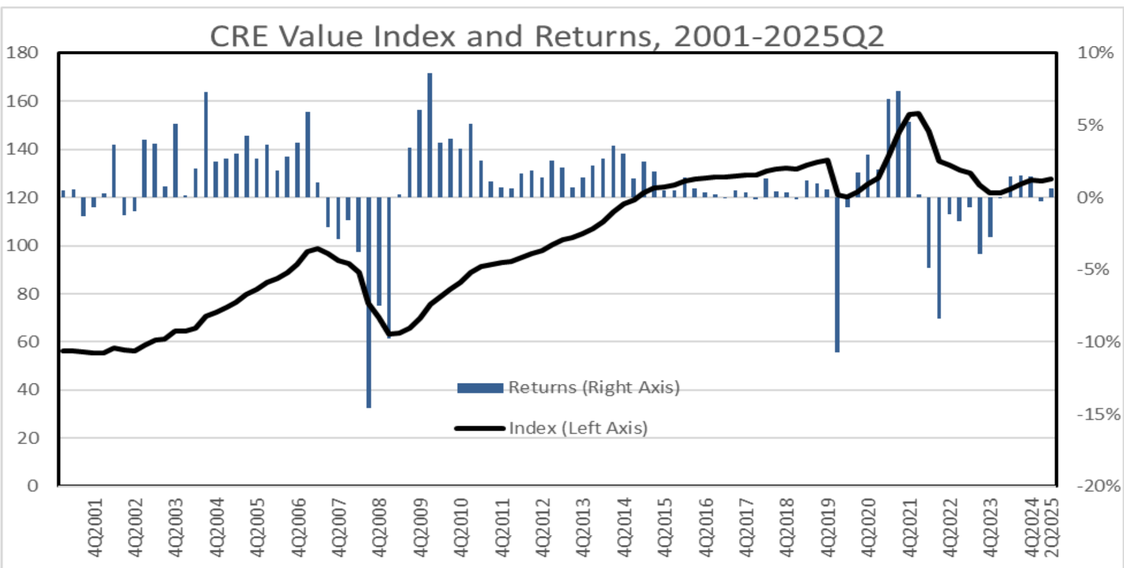
Life insurance companies held the majority of the U.S. insurance industry's exposure to CRE, at 86% of the total as of year-end 2024. P/C insurers accounted for 12%, while health and title insurers held the remainder. Although CRE remains a core component of life insurer investment portfolios, there are signs of a modest pullback. That is, CRE as a percentage of life insurers' total cash and invested assets has declined for two consecutive years, falling to 15.3% as of year-end 2024 from 15.8% at year-end 2023 and 16.1% at year-end 2022. This gradual decline may reflect growing caution amid weakness in certain property sectors, particularly the office sector.

The mortgage loans category in Table 3 includes commercial mortgage loans and excludes residential, farm, and mezzanine mortgage loans. CMBS includes both private-label and agency-backed CMBS, and REITs include bond investments but exclude equity investments. The real estate category represents properties held for income as reported by U.S. insurers on Schedule A; it does not include properties held for sale or owner-occupied properties.

Commercial Real Estate Values Begin to Stabilize

CRE has historically been an attractive asset class for many investors, including U.S. insurance companies. Nonetheless, it is not immune to disruptions, as it is cyclical and closely tied to overall economic conditions, making it vulnerable to sector-specific disruptions. Since 2000, CRE has experienced generally positive returns, with values increasing approximately 72% since the end of the prior century. The global financial crisis of 2008–2009 was an exception, with CRE values declining by about 40% in only three years. (Refer to Chart 4.) The latest iteration of this cyclicality was due to the effects of the COVID-19 pandemic; that is, beginning in 2020, CRE valuations dropped as much as 40% through 2023. Following two interest rate cuts in 2024, most CRE markets have recovered significantly, albeit not to their previous levels. As of year-end 2024, signs of stabilization in property values began to emerge, and through the first quarter of 2025, a marked upturn in returns and valuations has been observed in the various property sectors, with the exception of the office sector, likely due to its more complex structural challenges (i.e., Class A versus Class B and Class C properties, and central business districts [CBDs] versus suburban areas.)

Chart 4:



Source: Green Street

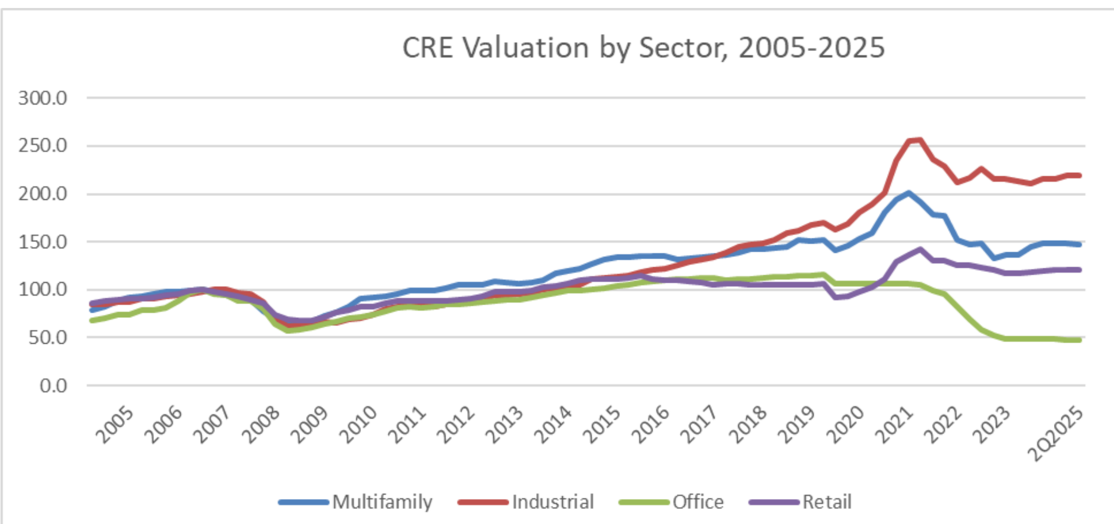
With the current presidential administration, there is both renewed optimism among many market observers for the overall economy and a heightened sense of uncertainty around its policies and effects on the markets. With respect to CRE, this uncertainty falls primarily into three areas: 1) trade policy and effects; 2) employment and inflation; and 3) interest rates. Trade policy (i.e., tariffs) continues to be negotiated and thus remains a moving target, and its ultimate effects relative to inflationary pressure, trade imbalances, costs, and revenues remain indeterminate. The direction of the overall economy and the level of interest rates, which are key drivers of CRE values and performance, also remain uncertain. Although inflation seems to have been largely tamed, it could easily reverse. Many market observers expect one or more interest rate cuts by the Federal Reserve Board (FRB) in 2025, which would most likely significantly boost CRE performance and markets (particularly financing and sales). However, any interest rate cuts in 2025 are far from certain, as the FRB remains wary of reigniting inflation.

Interest rate cuts could have a secondary effect in kick-starting a largely stalled CRE refinance market. As property values dropped between 2020 and 2023, maturing mortgages that were previously written at higher LTV ratios (i.e., based on elevated values at lower interest rates and no amortization) became difficult to refinance at reduced property values and higher debt coverage ratios. This often resulted in lenders demanding infusions of additional equity capital to refinance already problematic loans at more conservative LTV ratios.

Refinancing risk in the U.S. insurance industry's commercial mortgage loan portfolio increased modestly compared to a year ago, driven in part by a growing concentration in near-term maturities. Based on data reported in the annual financial statements, approximately one-third of U.S. insurers' commercial mortgages are scheduled to mature within the next three years, and 56% within the next five years. This represents an increase from 31% and 51%, respectively. The higher volume of upcoming maturities, combined with a prolonged period of higher-than-expected interest rates, has contributed to elevated refinancing risk.

As economic conditions evolve, and barring significant positive or negative shocks, whether endogenous or exogenous, the CRE capital markets are likely to remain relatively subdued. Chart 5 shows that CRE values have generally stabilized post-2023, with multifamily and industrial CRE markets showing modest increases in value toward the end of 2024 through the first quarter of 2025, whereas the retail markets have been stable through this period.

Chart 5:



Source: Green Street

The most challenged CRE sector continues to be the office sector. While earlier pressures were more prevalent across both CBDs and suburban areas, with CBDs experiencing the greater impact, the dynamic has shifted. The current divide is between newer, high-amenity Class A office properties within high traffic, premier cities, and secondary, lower quality Class B and Class C properties in all locations. With many offices functioning on hybrid work schedules, companies are adjusting their space requirement to suit their revised needs, with marked preference for the higher quality product if feasible. However, as these shifts occur, there is likely to be a significant amount of office space that is functionally depreciated to the point that it is no longer economically viable, which is similar to the phenomenon that occurred a few years ago with regional malls.

Commercial Real Estate Markets Expected to Remain Resilient

The foreseeable economic environment is marked by uncertainty across the board. In an upside case, as tariffs and trade policy become firm, inflation remains muted, employment picks up, and interest rates are cut, there could be significant economic growth and a continued strengthening of the CRE recovery. On the other hand, if those same factors remain unresolved or move in the opposite direction, with no growth or even contraction, the CRE markets could stagnate as they have in recent months.

Nonetheless, the CRE markets are proving resilient in having adjusted to post-pandemic space market realities, albeit at more conservative levels (with the notable exception of Class B and Class C office properties still mired in structural adjustment). Indeed, in the upside scenario, some forecasters envision a period of sustained positive performance for the overall CRE market.

Even though office markets remain bifurcated with Class A properties experiencing stabilization at higher levels of demand and absorption, the overall vacancy rate remains elevated, approaching 19%. Many market analysts expect continued market weakness in Class B and Class C properties such that, for the first time, actual demolition of functionally obsolete excess product has begun, with some lower-level product not viable at any price.

In the multifamily markets, the excess supply that developed over the past few years seems to have peaked, as net absorption has begun to increase in 2025. This trend has been driven by high interest rates and house value inflation, making homeownership increasingly difficult to attain, especially for first-time buyers who then gravitate to rental apartments. With this foundation, the multifamily sector enjoys a higher valuation due to greater stability and lower downside risk.

The retail sector, specifically (non-mall) grocery-anchored centers and the like, is near full-occupancy, with national vacancy rate levels below 5%. Slowing rent growth and valuations perhaps have weakened slightly, but within the range of typical solid performance. Following a spate of building in recent years, the industrial market is approaching stabilization as new construction has slowed and new product has been absorbed. It is expected to remain a favored asset class, especially as artificial intelligence (AI) increases its presence in the sector.

The NAIC Capital Markets Bureau will continue to monitor trends in the U.S. insurance industry's mortgage loan and CRE investments and report as deemed appropriate.

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