



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).

U.S. Insurers' Common Stock Exposure Exceeds \$1 Trillion as of Year-End 2021

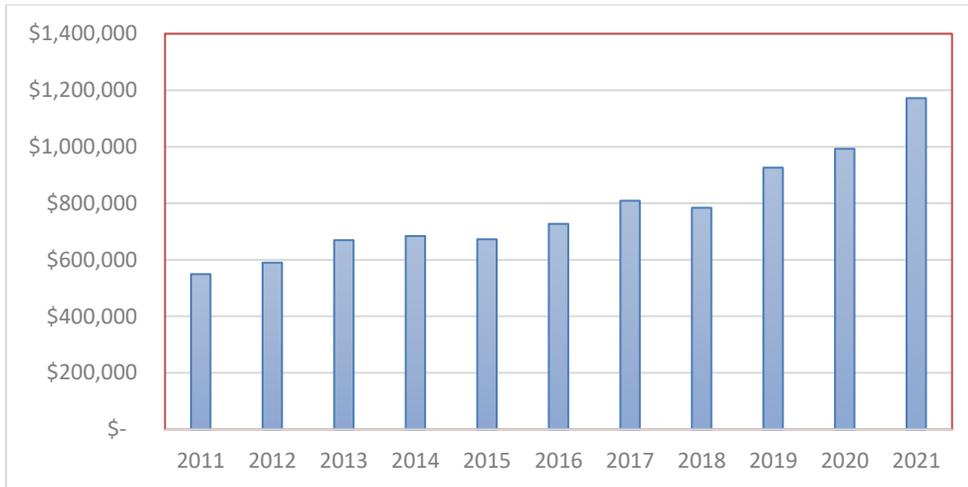
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Executive Summary

- U.S. insurers' exposure to common stock increased to about \$1.2 trillion at year-end 2021, representing a 21% increase from year-end 2020.
- Total common stock was about 14.6% of U.S. insurers' total cash and invested assets at year-end 2021, up from 13.3% at year-end 2020.
- Property/casualty (P/C) companies accounted for the largest exposure, at 76% of the total for both year-end 2021 and year-end 2020.
- Unaffiliated common stock totaled \$567.8 billion, or 48% of total common stock, relatively consistent in percentage terms with years prior.
- Approximately 98% of U.S. insurers' total common stock exposure was publicly traded.
- The NAIC Capital Markets Bureau's analysis of U.S. insurers' publicly traded common stock investments showed that its market value decreased by 13.4% year-to-date (YTD) through August 2022, compared to a 17% decrease for the Standard & Poor's 500 index (S&P 500).

The value of U.S. insurers' common stock—unaffiliated or affiliated—changes year over year based in part on market valuations. U.S. insurers' exposure to common stock has been increasing over the last few years due in part to positive market valuations, evidenced by positive returns experienced in several equity market indices. This is mainly due to economic recovery that occurred in 2021 once COVID-19 vaccinations were made increasingly available and social distancing began to ease, followed by the gradual reopening of businesses.

At year-end 2021, U.S. insurers' total common stock exposure totaled approximately \$1.2 trillion, up from \$993 billion at year-end 2020. Total common stock accounted for 14.6% of U.S. insurers' total cash and invested assets at year-end 2021, up from 13.3% at year-end 2020. P/C companies held the largest proportion, or 76% of the total, at both year-end 2021 and year-end 2020. Chart 1 shows U.S. insurers' historical exposure to total common stock; over the last decade ending 2021, it increased by 113%.

**Chart 1: U.S. Insurers' Total Common Stock Exposure, 2011–2021 (\$Mil. BACV)***Unaffiliated Common Stock Represents Almost Half of Total Common Stock*

Within U.S. insurers' overall common stock exposure, unaffiliated common stock was \$567.8 billion, or 48% of the total, at year-end 2021, compared to \$441.7 billion at year-end 2020, or 45% of the total (refer to Table 1). This represents a 28.5% year-over-year (YOY) increase, which was in line with the S&P 500 return of 26.6% for calendar year 2021. Note that an increase in U.S. insurer exposure that exceeds equity market increases overall would suggest that the industry is adding to its exposure and vice versa. One state of domicile accounted for half of U.S. insurers' exposure to unaffiliated common stock at year-end 2021, and ten states accounted for 90% of the total.

Table 1: U.S. Insurers' Unaffiliated Common Stock, 2016–2021 (\$Bil. BACV)

Year	\$BACV bil	%YOY change
2016	\$ 292.3	
2017	\$ 346.6	18.6%
2018	\$ 328.4	-5.3%
2019	\$ 414.2	26.1%
2020	\$ 441.7	6.6%
2021	\$ 567.8	28.5%

For unaffiliated *publicly traded* common stock, which totaled \$553 billion at year-end 2021, about 91% was held by P/C companies, followed by 7% with life companies. In addition, 83% of the publicly traded unaffiliated common stock was held by large P/C companies, or those with more than \$10 billion in assets under management (refer to Table 2).

**Table 2: Unaffiliated Publicly Traded Common Stock, Year-End 2021 (\$Mil. BACV)**

Statement Type	Less Than \$250mm	Between \$250mm and \$500mm	Between \$500mm and \$1B	Between \$1B and \$2.5B	Between \$2.5B and \$5B	Between \$5B and \$10B	Greater than \$10B	Total	Pct of Total
Life	\$ 573.6	\$ 384.6	\$ 339.7	\$ 837.1	\$ 974.0	\$ 1,608.5	\$ 32,080.8	\$ 36,798.2	7%
P/C	\$ 5,295.1	\$ 5,323.8	\$ 7,994.0	\$ 21,480.8	\$ 21,788.2	\$ 14,456.0	\$ 429,179.2	\$ 505,517.2	91%
Title	\$ 138.1	\$ -	\$ 201.4	\$ 1,468.3	\$ -	\$ -	\$ -	\$ 1,807.7	0%
Health	\$ 424.5	\$ 909.1	\$ 1,087.0	\$ 2,813.5	\$ 2,755.9	\$ 1,595.4	\$ 77.1	\$ 9,662.6	2%
Total	\$ 6,431.3	\$ 6,617.5	\$ 9,622.0	\$ 26,599.7	\$ 25,518.1	\$ 17,659.9	\$ 461,337.1	\$ 553,785.7	100%
Pct of Total	1%	1%	2%	5%	5%	3%	83%	100%	

Market Value Analysis of U.S. Insurer Exposure to Unaffiliated Common Stock

On a monthly basis, the NAIC Capital Markets Bureau completes a YTD market value analysis of U.S. insurers' unaffiliated publicly traded common stock exposure utilizing third-party stock market data.¹ The most recent market analysis, dated as of August 2022, included \$539.6 billion, or 97% of the industry's \$553.8 billion in publicly traded common stock at year-end 2021. The analysis showed that YTD through August 2022, the market value decreased by 13.4%, compared to a decrease of 17% for the S&P 500 over the same time period. Analysis by insurer type shows that P/C companies' investments in publicly traded common stock experienced the smallest decrease in market value, or -13.3% through August 2022 (refer to Table 3).

Table 3: Performance of U.S. Insurer Unaffiliated Publicly Traded Common Stocks by Statement Type, YTD August 2022

Statement Type	Market Value Change (%)
P/C	-13.3
Life	-14.4
Health	-16.6
Title	-15.6

Global Equity Market Trends

Global equity markets, as well as other financial markets, began to recover in 2021 due in part to the reopening of businesses and the overall economy. However, cross-border supply-chain issues became problematic, and inflation persisted for longer than originally anticipated. Inflation first reached a 40-year high in November 2021 at 6.8% due in part to strong consumer demand outpacing supply

¹ More detailed information regarding the market value analysis of U.S. insurers' common stock exposure may be found on StateNet for REGULATORS ONLY.

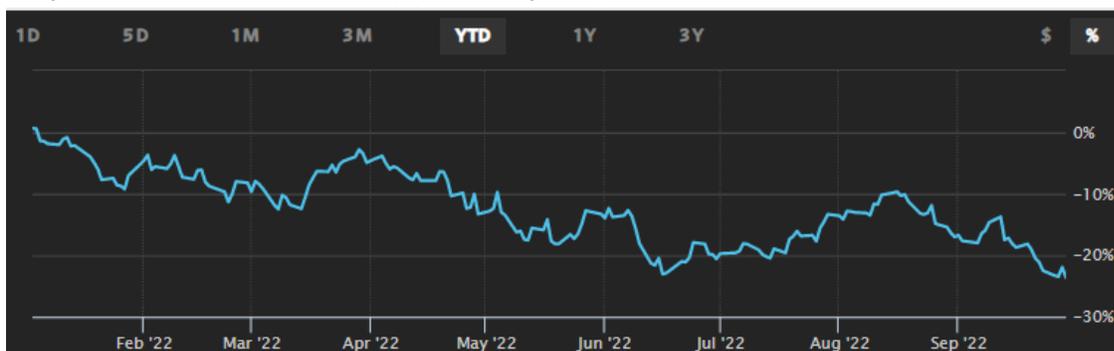


constraints, along with a shortage of available workers in the workforce and higher commodity prices. The inflation rate then increased further to 9.1% in June 2022, but it has since receded to 8.3% in August.

In an effort to battle inflation, the Federal Reserve raised the federal funds rate by 50 basis points (bps) in March 2022, along with plans to reduce the \$9 trillion asset portfolio. This was followed by another 75 bp rate increase in June (the largest since 1994), July, and September. As such, the benchmark federal funds rate ranges between 3% and 3.25%—a level that last appeared in 2008. Geopolitically, the war between Ukraine and Russia has continued to negatively affect markets, and oil prices reached a seven-year high of \$85/barrel in 2021 as demand for oil normalized while the global supply market tightened. Oil prices trended higher in 2022, reaching over \$100/barrel in March, but they have since decreased to the low-\$80s as of the end of September 2022.

In 2021, the return on the S&P 500 was 26.6%, having experienced a recovery characterized by a relatively slow and steady incline for most of the year. Since then, however, global markets worldwide have been experiencing volatility and market declines due in part to continued high inflation, the consequential larger than usual increase in interest rates, the ongoing war between Ukraine and Russia, and ongoing supply chain issues. Consequently, at the beginning of 2022, the S&P 500 reversed course in terms of performance. It entered bear market territory in mid-June for the first time since 2020 due in part to fears that inflation may trigger aggressive rate increases by the Federal Reserve, and it has posted negative returns YTD. Through Sept. 29, the S&P 500 YTD declined by 23.6% (refer to Graph 1), and it declined YOY by about 15.5%. On Sept. 13, the S&P 500 experienced its worst daily performance since June 2020 with a decline of 4.3% due to inflation data indicating that broad price pressures had not weakened to the level expected.

Graph 1: S&P 500 – YTD Return (%) as of Sept. 29, 2022



Source: Wall Street Journal.

The S&P 500 was not the only stock index with negative performance YTD, as market volatility has been experienced worldwide. For example, the STOXX Europe 600 index (STOXX 600) had a YTD decrease of 21.5% as of Sept. 29; in comparison, it returned -15.8% YOY and 16.7% in 2021. The Nikkei 225 decreased by 8.2% YTD as of Sept. 29 and decreased by 10.3% YOY for the same date. For 2021, the



Nikkei 225 achieved its highest year-end finish since 1989, with a 10.4% gain. In addition, measuring equity market volatility, the Chicago Board Options Exchange (Cboe) Volatility Index (VIX) reached 84.9% YTD through Sept. 29. This suggests that uncertainty is being priced into the equity markets, in particular the S&P 500.

Industry/Sector Impact

Within the 11 sectors of the S&P 500, only two— energy and utilities—have experienced a positive YOY percent change through Sept. 28. The 39.64% YOY increase in energy is due to high oil and gas prices; the same is true for the utilities sector, with the 8.1% YOY increase due in part to increased prices to both residential and commercial utilities customers.

Table 4: S&P 500's 11 Sectors as of Sept. 28, 2022

Sector	Market Cap 09/28/2022	1-Year % Change 09/28/2022
Communication Services	\$4.13T	-39.13%
Consumer Discretionary	\$6.73T	-20.05%
Consumer Staples	\$4.06T	-1.59%
Energy	\$3.35T	+39.64%
Financials	\$6.99T	-19.91%
Health Care	\$7.12T	-4.80%
Industrials	\$4.56T	-15.31%
Information Technology	\$11.60T	-19.99%
Materials	\$2.04T	-15.05%
Real Estate	\$1.35T	-18.46%
Utilities	\$1.59T	+8.10%

Source: Fidelity Investments.

The NAIC Capital Markets Bureau will continue to monitor trends within the common stock market 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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