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Slight Decrease in U.S. Insurers' Schedule BA Assets at Year-End 2023

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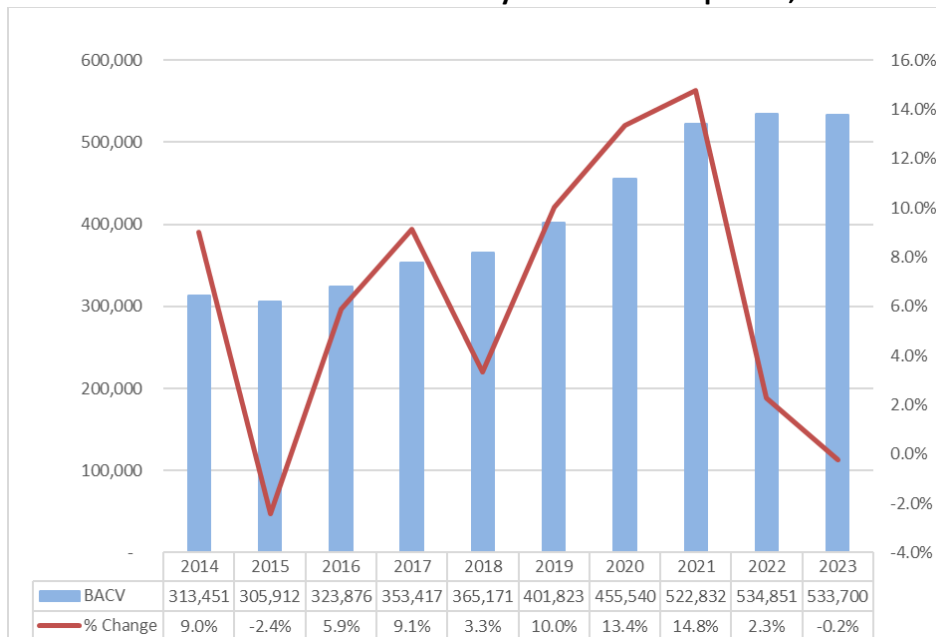
Executive Summary

- For the first time in several years, U.S. insurance companies reported a small year-over-year (YOY) decrease in other long-term investments reported on Schedule BA, to \$533.7 billion in book/adjusted carrying value (BACV) at year-end 2023, compared to \$534.8 billion at year-end 2022.
- The decline in Schedule BA assets occurred after strong double-digit YOY growth between 2019 and 2021, which was followed by a lesser, single-digit increase from 2021 to 2022.
- Private equity, hedge fund, and real estate investments continued to represent the majority of the U.S. insurers' Schedule BA assets, accounting for 73% of total exposure.
- Life insurers' share of Schedule BA assets increased YOY and was 65% of the total, while property/casualty (P/C) insurers' share, which has been declining over the last few years, was 31% of the total at year-end 2023.
- For a second consecutive year, unaffiliated Schedule BA assets have exceeded the percentage of affiliated Schedule BA assets and were 53% of total Schedule BA assets as of year-end 2023.

For the first time in almost a decade, U.S. insurers' exposure to Schedule BA assets declined, but by less than 1%. At year-end 2023, U.S. insurers' exposure to Schedule BA assets was \$533.7 billion in book/adjusted carrying value (BACV), down from \$534.8 billion at year-end 2022. The decline in exposure follows an increase of 2.3% at year-end 2022, after strong double-digit growth between 2019 and 2021. (Refer to Chart 1.) Other long-term invested assets reported on Schedule BA have increased by about 70% in terms of BACV over the 10-year period ending in 2023. Schedule BA assets have historically offered higher yields than traditional assets like corporate or municipal bonds because of their complexity and illiquidity.



Chart 1: Historical U.S. Insurance Industry Schedule BA Exposure, 2014–2023 (BACV \$ in millions)



U.S. insurers’ exposure to other long-term investments in Schedule BA represented 6.3% of total cash and invested assets at year-end 2023, down slightly from 6.6% at year-end 2022. Life companies continued to account for the majority of exposure at 65% of the total (refer to Table 1), representing an increase from 61% at year-end 2022. (Refer to Table 2.) Countering this increase, property/casualty (P/C) companies accounted for 31% of other long-term investments in 2023, compared to 35% in 2022. Title and health companies accounted for the remaining 4% in 2023.

Life companies’ Schedule BA investments increased 6.2% to \$344.9 billion at year-end 2023. Growth occurred in almost all asset types except for “any other assets” for which there was a small decrease. Meanwhile, P/C companies’ investments in Schedule BA assets decreased 13.7% to \$162.3 billion in 2023. In terms of asset types, the largest decrease for P/C insurers occurred in hedge fund investments and residual tranches, while investment in “any other class of assets” doubled.

As in prior years, private equity, hedge fund, and real estate investments continued to represent the majority of U.S. insurers’ Schedule BA assets. Together, they accounted for 73% of total Schedule BA exposure at year-end 2023, which was a small decrease from 76% at year-end 2022. The proportion of private equity and real estate investments increased to 37% and 16% of total Schedule BA assets, respectively, in 2023, from 35% and 15% in 2022. The proportion of hedge fund investments, however, declined to 20% in 2023 from 26% in 2022. Among private equity investments, leveraged buyouts (LBOs) represented the largest proportion, or \$88.4 billion (45%), of total private equity investments reported in Schedule BA.

**Table 1: Total U.S. Insurance Industry Schedule BA Exposure, Year-End 2023 (BACV \$ in Millions)**

Asset Type	Life	P/C	Health	Title	Total	% of Total
Private Equity	150,856	36,692	8,463	-	196,011	37%
Hedge Funds	41,822	55,340	7,624	202	104,987	20%
Real Estate	57,233	26,236	1,978	2	85,449	16%
Surplus Debentures	19,458	2,715	685	7	22,866	4%
Mortgage Loans	21,495	847	154	124	22,620	4%
Collateral Loans	18,949	777	311	9	20,046	4%
Bonds/Fixed Income Instruments	11,440	8,026	397	-	19,862	4%
Any Other Class of Assets	5,396	18,251	2,418	8	26,073	5%
Residual Tranches	11,631	1,552	373	3	13,558	3%
Low Income Housing Tax Credits	4,766	3,887	210	-	8,863	2%
Non-Collateral Loans	248	9,043	174	222	9,688	2%
Other*	1,649	1,887	143	-	3,679	1%
Total	344,944	165,251	22,929	577	533,700	100%
% of Total	65%	31%	4%	0%	100%	

*The "Other" asset type includes capital notes, mineral rights, oil and gas production, other fixed income instruments (non-registered private funds), transportation equipment, and working capital finance investments (WCFIs).

Table 2: Total U.S. Insurance Industry Schedule BA Exposure, Year-End 2022 (BACV \$ in Millions)

Asset Type	Life	P/C	Health	Title	Total	% of Total
Private Equity	147,270	33,530	6,526	-	187,325	35%
Hedge Funds	39,658	89,680	7,782	193	137,312	26%
Real Estate	52,923	25,751	2,296	3	80,973	15%
Surplus Debentures	19,967	2,675	709	6	23,357	4%
Mortgage Loans	19,243	500	144	62	19,950	4%
Collateral Loans	16,974	1,128	432	9	18,542	3%
Bonds/Fixed Income Instruments	10,986	6,528	378	-	17,892	3%
Any Other Class of Assets	5,211	8,601	1,984	6	15,802	3%
Residual Tranches	5,665	5,582	411	3	11,661	2%
Low Income Housing Tax Credits	4,673	4,053	215	-	8,941	2%
Non-Collateral Loans	126	7,928	278	101	8,433	2%
Other*	1,867	2,269	155	-	4,291	1%
Total	324,563	188,224	21,309	384	534,481	100%
% of Total	61%	35%	4%	0%	100%	

*The "Other" asset type includes capital notes, mineral rights, oil and gas production, other fixed income instruments (non-registered private funds), transportation equipment, and working capital finance investments (WCFIs).

Beginning with year-end 2022 reporting, U.S. insurers were required to disclose investments in residual tranches in Schedule BA on dedicated reporting lines to provide improved transparency. At year-end 2023, residual tranches accounted for about \$13.6 billion, or 3% of total Schedule BA assets, representing an increase from \$11.7 billion in residual tranches at year-end 2022, or 2.2% of total Schedule BA assets. Note that from 2022 to 2023, life companies' exposure to residual tranches more than doubled, while exposure among P/C companies dropped by about 70%. About 60% of the residual tranche investments were fixed income residual tranches, and the remaining balance was in common stock, mortgage loans, and other residual tranches.



In past years, Schedule BA exposure was generally skewed toward affiliated investments; however, the share of unaffiliated investments has been growing since reaching a low of 40% in 2019. Unaffiliated investments increased to \$281.8 billion at year-end 2023 from \$270 billion at year-end 2022. This means that unaffiliated investments accounted for 53% of total Schedule BA assets in 2023, compared to about 51% in 2022. Year-end 2023 was the second consecutive year that unaffiliated Schedule BA investments exceeded 50% and were greater than affiliated Schedule BA investments. Conversely, affiliated Schedule BA investments decreased to \$251.9 billion at year-end 2023 (47% of total Schedule BA assets) from \$264 billion in 2022.

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

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

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