The

CLOs have historically been a small component of U.S. insurer assets. Nevertheless, U.S. insurer exposure to CLOs has been steadily increasing in recent years. CLOs offer an attractive yield alternative to other more traditional asset types, such as fixed-rate corporate bonds, especially if interest rates increase as CLO debt is floating-rate. According to SIFMA, there was about $616 billion in CLOs outstanding as of year-end 2018 (see Chart 1), and $605.8 billion outstanding as of May 2019. About 90% of CLOs outstanding were issued on or after 2014; 52.1% were issued on or after 2017.[1]

Chart 1: Historical CLOs Outstanding in the U.S.

Chart 3: U.S.

U.S. Insurer Exposure

As of year-end 2018, U.S. insurers had approximately $122 billion[6] in BACV exposure to CLOs as reported in the annual statement filings, as well as through additional analysis, which identified securities that were CLOs but not reported by insurers as such. The majority, or 77%, was held by life companies.

Table 1: Year-End 2018

Statutory Accounting

As discussed in more depth in the NAIC Capital Markets Bureau Primer on CLOs published on Aug. 21 for reporting and statutory accounting purposes, if a CLO is defined as a loan-backed and structured security (LBASS), then it follows the guidance of

CLOs in this field were removed from the data set. Then, with assistance from the NAIC Structured Securities Group, and working line by line, the two NAIC teams cross-matched remaining securities that were reported in Schedule D Part 1 with third-party data sources to identify bonds that were not reported as CLOs but should have been. For example, this