

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 Special Reports are available via the [Capital Markets Bureau web page](#) and the [NAIC archives](#) (for reports published prior to 2016).

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U.S. insurers' exposure to foreign investments decreased year-over-year by 17% to about \$360 billion at year-end 2022, from \$436.7 billion at year-end 2021.

Over the past decade, U.S. insurers' exposure to foreign investments has decreased by 44% from \$650 billion in 2012.

Similar to prior years, the majority of U.S. insurers' foreign investments were in bonds—92% of the total at year-end 2022.

Life companies accounted for the majority of exposure at 80% of the total, followed by property/casualty (P/C) companies at 18%. Large insurers, or those with more than \$10 billion assets under management, accounted for 83% of total U.S. insurer foreign investments.

The book/adjusted carrying value (BACV) of corporate bonds exceeded sovereign bonds and comprised 88% of total foreign bond investments for U.S. insurers. More than 90% of foreign bonds were high credit quality based on their NAIC 1 and NAIC 2 designations.

The United Kingdom (UK), Canada, and Australia represented the largest three country exposures in both 2022 and 2021 and on an aggregate basis represented about 50% of U.S. insurers' total foreign investments.

U.S. insurers' exposure to foreign bonds and stocks has not represented a large proportion of the overall investment portfolio, and since 2018, they have been declining steadily. (Refer to Chart 1.) This may be due in part to geopolitical events, such as trade tensions between the U.S. and China and the war between Russia and Ukraine, among other factors, including those related to climate risk and the COVID-19 pandemic. In addition, macroeconomic factors may have also played a role in the declining trend, such as the lower-for-longer interest rate environment followed by increasing interest rates to combat high inflation over the past couple of years. Over the past decade ending in 2022, U.S. insurers' foreign investments have decreased by 44%, as U.S. insurers reported about \$650 billion in book/adjusted carrying value (BACV) of foreign investments at year-end 2012.

*Excludes Cayman Islands, Isle of Man, and Jersey

At year-end 2022, U.S. insurers reported having about \$359.7 billion in foreign bonds and stocks, which was 4% of total U.S. insurers' investments. This was a 17% decrease from \$436.7 billion at year-end 2021. In particular, bonds decreased to \$331.4 billion in 2022 from \$402.7 billion in 2021. (Refer to Table 1.) Note that a proportion of foreign investments were reported as domiciled in the Cayman Islands, Isle of Man, and Jersey for tax reasons, so these three countries have been excluded from U.S. insurers' foreign investment totals for the purpose of this special report. In addition, there is a small amount of foreign currency risk



In terms of credit quality, more than 90% of total foreign bond exposure was implied to be high credit quality based on the reported NAIC 1 and NAIC 2 designations in both 2022 and 2021. As shown in Chart 3, there was a slight improvement in credit quality from year-end 2021 to year-end 2022. Together, foreign bonds carrying NAIC 1 and NAIC 2 designations increased to 94% of total foreign bonds in 2022 from 93% in 2021, while foreign bonds carrying NAIC 3 designations decreased to 4% from 6%. Foreign bonds carrying NAIC 4 designations remained the same at 1% of the total.

By continents, Europe accounted for the largest foreign investment exposure for U.S. insurers at 51% of the total at year-end 2022 (\$182.3 billion), followed by 23% in North America (i.e., primarily Mexico and

