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Growth in U.S. Insurance Industry's Cash and Invested Assets Slows in 2018

Analyst: Michele Wong **cash and invested assets.**

- The credit quality of the industry's bond holdings improved slightly at year-end 2018, with 5.1% of exposure carrying NAIC 3 designations and below, compared to 5.5% at year-end 2017.

\$6.5 trillion. Asset growth slowed in 2018 to 1.3%, following growth rates greater than 5% in 2016 and 2017.

Chart 1: Total U.S. Insurance Industry Cash and Invested Assets, 2010–2018

Note: Includes affiliated and unaffiliated investments.

Bond Investments Are the Asset of Choice

The U.S. insurance industry's asset allocations are relatively stable and have not changed significantly for many years. Bonds remained the largest component of U.S. insurer assets at year-end 2018,

The industry's total cash and invested assets by insurer type have also remained consistent over the last several years. Life companies held the largest share, or 64.5%, of the industry's total cash and invested assets in 2018, while property/casualty (P/C) companies continued to account for almost 30% of total cash and invested assets.

No significant changes in the mix of cash and invested assets as of year-end 2018 were noted when compared to year-end 2017. However, the allocation to common stock decreased to 12% of cash and invested assets at year-end 2018 from 12.5% as of year-end 2017. (See Table 2.) The decline is likely due in part to the weak performance of the equity markets in December 2018; the Standard & Poor's 500 Index (S&P 500) declined 6.2% in 2018. The industry's allocation to mortgages increased on a YOY basis to account for a Td[(S)9.4 (\$ds)Tj-067 ()-5.4 N-11.4 N-11.4 4a (e)4.9 (c)-4.9 (l)-32)h8.8 2usue in-11.3 .3 ()10.6 (o)-322.9

The U.S. insurance industry's exposure to mortgages increased to \$555 billion at year-end 2018 from -

Chart 3: U.S. Insurance Industry Schedule BA Asset

Table 3: U.S. Insurance Industry Cash and Invested Assets by Insurer Size, Year-End 2018 (BACV\$ in millions)

The U.S. insurance industry reported \$4.3 trillion in bonds at year-end 2018, an increase of 1.9% compared to year-end 2017. Bonos-0.7 (TT6 r) 2 TT6 c(s)-1 (14-)-1ea(y)2.7 (s-0.7e)yyys2-3.6ters-nync,c(Y1)-2.1OY(1)TQ

