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Retail Exposure in U.S. Insurer Commercial Mortgage-Backed Securities Investments, Year-End 2019

Analyst: Jennifer Johnson

Executive Summary

Total U.S commercial mortgage-backed securities (QMBS) outstanding was about \$490 billion according to Trepp as of March 2020, with about \$122.5 billion in outstanding balances (or 25%) collateralized by retail properties across the U.S

Retail loans placed in the category of either "late but within grace period" or "late beyond grace period" were 9.6% as of early April 2020, as many brick-and-mortar stores have closed resulting in a significant decrease in revenues.

For U.S insurers, about \$136 billion CMBS in book/adjusted carrying value (BACV) out of a total \$173.5 billion modeled by the NAIC had exposure to retail loans as of year-end 2019; about \$125 billion of the \$136 billion was in senior, high credit quality tranches.

Life companies accounted for about 75%

Overall CMBS Market & Retail Loans

As of March 2020, U.S. CMBS outstanding was \$489.2 billion according to Trepp, a data source for securitized mortgages. Trepp data also indicated that about 25% of mortgage debt outstanding is derived from commercial real estate loans backed by retail properties. Rather than the 8 10% increase in CMBS new issuance that was initially expected for this year, market participants are expecting a

¹ Trepp, The State of the Retail Market in Times of Global Pandemic, March 2020.

concern, about 77% of the senior, high credit quality tranches.	total CMB	Sexposure with ref	tail Ioans, or \$103	billion, was in
Table 1: Total U.S. Insurer OMBS Inv	estments/	Retail Loans*, Yea	ar-End 2019 (\$BAC	X)

*Includes CMBS investments modeled by the NAIC

Life companies accounted for about 75% of the

total exposure to CMBS (based

Table 2: Total U.S. Insurer CMBS Retail Loans Exposure, Year-End 2019					
Source: BlackRock Solutions					
Summary					

While the retail loan industry is expected to experience double digit delinquency rates due to a severe impact on brick-and-mortar revenues, concerns regarding U.S insurer exposure to CMBS collateralized by retail loans is mitigated by the high credit quality of th