The ______________________ monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. A list of archived Capital Markets Bureau Special Reports is available via the INDEX.

U.S. Insurers' Exposure to Mortgage Loans Continues to Steadily Increase Through Year-End 2019

Analysts: Jennifer Johnson and Azar Abramov

- Mortgage loans reported by U.S. insurers at year-end 2019 (in Schedule B) totaled about $602 billion in book value (BV), representing an 8.5% increase from year-end 2018 and almost 9% of total cash and invested assets. Within this total, $536 billion, or almost 90%, were commercial mortgage loans.
- Life insurance companies held the majority, or 9[illegible] match well with the longer-term nature of their liabilities.
- About one-[illegible] properties, which so far have not been severely affected by the COVID-19 pandemic.
- [illegible] at year-end 2019.
- Commercial mortgage loan origination volume through the first quarter of 2020 was down 2% versus the first quarter of 2019 due in part to the impact of COVID-19.
- Commercial mortgage loans with exposure to the retail and lodging sectors continue to be susceptible to price volatility and lower valuations due to COVID-19.

[illegible] last nine years, as shown in Chart 1, with life companies consistently accounting for a significant share. As of year-[illegible] backed by real estate as reported in

Schedule B was about $602 billion in BV; i.e., the statutory BV/recorded investment excluding accrued interest.

Chart 1: U.S. Insurers’ Exposure to Mortgage Loans, 2009 – 2019 ($BACV mil)

*Life and fraternal companies reported together beginning with year-end 2019 data.

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insurers could become a source of risk total capital and surplus.

Table 2: U.S. Insurer Mortgage Loan Exposure – By Property Types – Year-End 2019

The average l

Life insurance companies have a long history as lenders to the commercial real estate market since real estate and real estate lending are commonly viewed as long-term investments, which match well with the longer liabilities of life companies. Also, as an alternative asset class, commercial real estate loans are considered a suitable source of risk diversification in life companĕ ǕƨǊǗŦƨƒƛƨăΦ !ă ădzŎΚΣ ¦Φ{Φ ƛƴădzǊŜǊăΩ exposure to commercial real estate loans was almost 90% of total mortgage loan exposure (see Table 4), at $536 billion as of year-end 2019.

Table 4: U.S. Insurers' Mortgage Loan Exposure by Loan Type, Year-End 2019

Commercial and multifamily mortgage debt outstanding as of year-end 2019 reached $3.6 trillion, a 7% increase from 2018, according to the Mortgage Bankers Association (MBA). Within this total, commercial mortgage debt alone accounted for about $2 trillion. The MBA estimates that commercial and multifamily mortgages provided 4 Tf1 0 0 1 72.024 384.19 Tm0 g0 G[an)4(d)3(m)-7(u)3(ltifa)14(m)-4(iEsg065tifa)14(

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Questions and comments are always welcome. Please contact the Capital Markets Bureau at
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