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.

PE, HF and RE, totaling $297.6 billion (74% of total Other Long-Term Invested Assets), were the largest three asset types, consistent with prior years

Table 3: U.S. Insurer Exposure to Unaffiliated HF, PE and RE as of Year-End 2019 (BACV, $Mil.) *

* As of year-end 2019, fraternal companies' exposures are included with life companies' exposures.

Table 4: U.S. Insurer Exposure to Unaffiliated HF, PE and RE as of Year-End 2018 (BACV, $Mil.)

Life and property/casualty (P/C) companies together accounted for an aggregate of $118.6 billion at year-end 2019, or 96% of total unaffiliated PE, HF and RE, compared to about $108 billion at year-end 2018, or 94% of total unaffiliated PE, HF and RE.

Consistent with year-end 2018, large insurers (those with total cash and invested asset greater than $10 billion) accounted for the majority (76%) of exposure to unaffiliated Other Long-Term Invested Assets as of year-end 2019 (see Table 5).

Table 5: U.S. Insurer Exposure to Unaffiliated Other Long-Term Invested Assets by Total Cash and Invested Assets as of Year-End 2019 (BACV, $Mil.)

When U.S. insurers' exposure to an asset type exceeds 10% of total capital and surplus, there is a potential for liquidity risk. In particular, investments reported in Schedule BA may be considered "alternative investments" — i.e., not conventional and often higher-yielding than traditional assets due in part to their complexity—so concerns regarding liquidity risk with these investments may be heightened compared to the more traditional asset types, such as municipal or corporate bonds.

Asset Type	Less Than $250MM	Between $250MM and $500MM	Between $500MM and $1.0B	Between $1.0B and $2.5B	Between $2.5B and $5.0B	Between $5.0B and $10.0B	Greater Than $10B	Grand Total
HF	173	539	1,145	3,302	2,463	2,325	15,591	[illegible]
PE	202	282	599	2,600	1,938	6,542	70,065	82,227
RE	101	49	382	1,185	545	2,695	11,242	16,199
Other BA assets	565	381	827	2,914	3,123	3,657	26,828	38,314
Total	1,080	1,243	2,953	10,001	8,068	15,229	123,726	162,270
% of Total	1%	1%	2%	6%	5%	9%	76%	100%

With the widespread impact of the COVID-19 pandemic on the global economy, some PE, HF and RE have experienced a decrease in AUM, capital raising, and/or returns since year-end 2019. While the largest components of Other Long-Term Invested Assets at year-end 2019 comprised U.S. insurer investments to unaffiliated PE, HF and RE, they were a small portion of overall U. S. insurer investments (approximately 2% of total cash and invested assets), mitigating concern. Also lending comfort, for PE, the number of funds in the market has increased from January through July 2020 (despite a decrease in targeted capital); HF achieved noteworthy gains in Q2 2020; and RE experienced an increase in capital raised. However, for U.S. insurers where concentrations of PE, HF and/or RE are high relative to total capital and surplus, a review of this exposure may be warranted.

PE fundraising in 2019 totaled about $600 billion in 1,316 funds according to Preqin, a provider of alternative assets data, due in part to a strong deal market and positive investor sentiment (see Chart 1).[1] In addition, dry powder for PE, or the amount of committed but unallocated capital, reached a record high $1.43 trillion as of December 2019. Due in part to COVID-19-related lockdowns, $116 billion in aggregate capital was raised in Q2 2020 across 225 funds, the lowest amount since $110 billion in Q1 2018.[2] PE AUM totaled more than $4.5 trillion as of December 201ha valued at $393 billion, down from $493 billion in 2018. Overall, PE funds were seeking to raise $884 billion in capital as of July 2020, down from $926 billion in January due in part to the economic impact of COVID-19.

According to BarclayHedge, a source of alternative investment data, HF AUM decreased to $2.9 trillion as of Q1 2020, due in part to a decline in launch activity, down from $3.2 trillion at Q4 2019. This is the first time HF AUM have been below $3 trillion since Q3 2016, after reaching a peak of about $3.3 trillion in Q4 2019. Total net

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