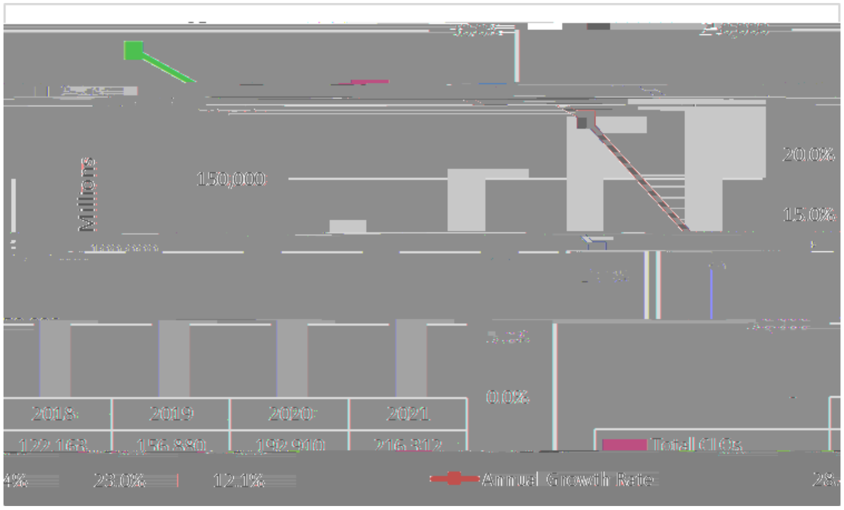
$156.9 billion at year-end 2019 (see Chart 1).[1] However, the pace of growth has slowed from 23% and 28% at year-end 2020 and year-end 2019, respectively.

Chart 1: U.S. Insurance Industry CLO Exposure, 2018ς2021



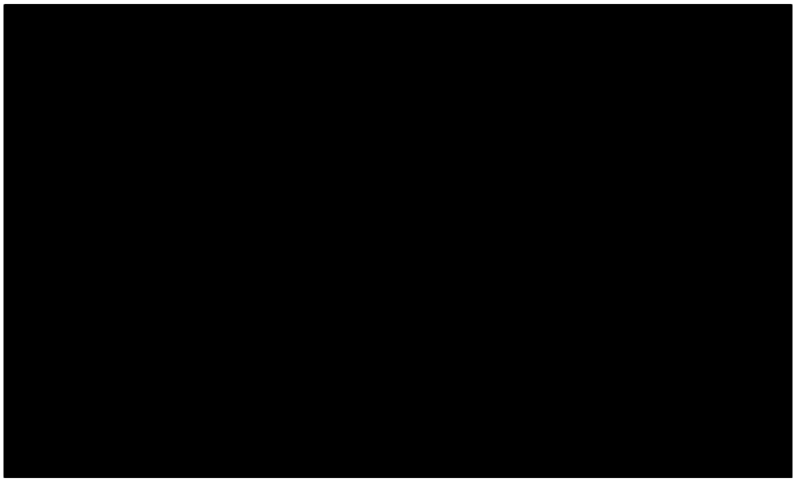
Consistent with years prior, the majority of total CLO exposure was held by life companies, followed by property/casualty (P/C) companies (see Table 1). Life companies' share of the industry's total exposure declined to 76% at year-end 2021 from 80% at year-end 2019, while P/C companies' share rose to 21% from 17% over the same time period. Health and title companies continue to have minimal exposure to CLOs.

Table 1: U.S. Insurer Exposure to CLOs, 2019ς2021

CLOs have accounted for a relatively small portion of the industry's cash and invested assets, as well as overall bond investments, but the two metrics have been trending higher over at least the last few years (see Chart 2). CLOs accounted for 2.7% of total cash and invested assets at year-end 2021, a slight increase from 2.6% the prior year but a more meaningful increase from 1.9% at year-end 2018. As a percentage of total bond investments, CLOs have increased to 4.4% at year-end 2021 from 2.8% at year-end 2018.

[1] Since 2018, U.S. insurers' CLO exposure has been determined via data reported in the annual statement filings, as well as through additional analysis that was completed with third-party data sources, allowing for a more granular and thorough review.

Chart 2: CLO Exposure as a Percentage of Cash and Invested Assets and Bond Investments, 2018ç2021



As shown in Table 2, large companies accounted for almost 80% of the U.S. insurance industry's CLO exposure at year-end 2021, consistent with prior years. Insurance companies with assets between $1 billion and $10 billion accounted for an additional 18% of the industry's exposure.

Table 2: CLO Exposure by Insurer Size, Year-End 2021 ($BACV in millions)

Note: Numbers in the table have been rounded.

At year-end 2021, the top 10 U.S. insurance groups with CLO exposure accounted for 41% of total CLO exposure, compared to 45% at year-end 2020 and year-end 2019. The top 14 U.S. insurance groups accounted for half of the total CLO exposure, compared to the top 10 at year-end 2020. At least six of the top 10 have CLO management subsidiaries. As such, these insurers benefit from having internal CLO infrastructure and knowledge. The top 25 insurer groups accounted for 64% of the industry's CLO exposure at year-end 2021 compared to 70% at year-end 2020. The decrease in percentages year-over-year (YOY) implies a more diverse CLO investor base than in prior years.

The credit quality of U.S. insurers' CLO investments shifted in 2021 compared to 2020. As of year-end 2021, AAA-rated tranches accounted for 39.6% of total U.S. insurers' CLO exposure (see Chart 3), a decline from 42% as of year-end 2020 (see Chart 4). Exposure shifted marginally to AA-rated tranches, which increased to 22.4% of total CLO exposure from 21.1% at year-end 2020. While exposure to BBB-rated tranches declined to 11.2% of total 2021 exposure from 12.6% the prior year, CLO tranches rated BB+ and below increased to 3.3% of total exposure from 2.7%. Despite these shifts in exposure from one

dependent on the concentration of exposure within each insurer's investment portfolio, particularly as a percentage of a company's total capital and surplus.

CRE CLO Investments

U.S. insurers' exposure to commercial real estate (CRE) CLOs has also increased over the last few years. While similar in structure to other CLO types, the underlying collateral in CRE CLOs includes shorter-term loans on transitional real estate properties.

In addition to the CLO investments collateralized primarily by leveraged bank loans and middle market loans, at year-end 2021, U.S. insurers held approximately $9.6 billion in CRE CLOs, representing an 84% increase from $5.2 billion at year-end 2020 and almost triple the $3.7 billion held at year-end 2019. The YOY growth in BACV is in part due to the attractiveness of the relatively shorter duration of CRE CLO debt tranches, which limits interest rate risk. About 71% of U.S. insurers' CRE CLO exposure was held by life companies, a decrease from 78% at year-end 2020, followed by 23% with P/C companies, an increase from 19% at year-end 2020. All U.S. insurers' exposure to CRE CLOs carried NAIC 1 and NAIC 2 Designations at year-end 2021; NAIC 1 Designations accounted for 84%, implying the highest credit quality.

CLO Issuance and Volume

Through mid-December 2021, new U.S. CLO issuance reached $185.2 billion according to S&P Global research (see Chart 5), exceeding a previous calendar-year record of $128.2 billion in 2018. However, CLO issuance slowed in 2022 due to tightening financial conditions, recession concerns, and market uncertainty lowering investor demand. There was about $80 billion of new CLO issuance through Q2 2022.

Chart 5: