

The NAIC Capital Markets Bureau monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. Previously published [NAIC Capital Markets Bureau Special Reports](#) are available via its web page and the NAIC archives (for reports published prior to 2016).

Analysts: Jennifer Johnson and Jean-Baptiste Carelus

Despite an increase in the number of private equity (PE)-owned U.S. insurers identified by the NAIC Capital Markets Bureau to 132 at year-end 2021 from 117 at year-end 2020, total cash and invested assets for these insurers decreased by approximately 3% to \$472 billion in book/adjusted carrying value (BACV).

Total cash and invested assets for PE-owned insurers was about 6% of the U.S. insurance industry, and the majority of PE-owned U.S. insurers continues to be life companies.

Similar to the overall U.S. insurance industry, bonds were the largest asset type for PE-owned U.S. insurers, at 69% of their total cash and invested assets.

Corporate bonds were the largest bond type at about half of total bonds for PE-owned insurers.

The concentration of nontraditional bonds was higher for PE-owned insurers in terms of the percentage of total bonds

2). The BACV of total cash and invested assets for PE-owned insurers was about 6% of the U.S. insurance industry's \$8.0 trillion at year-end 2021, down slightly from 6.5% of total cash and invested assets at year-end 2020. The number of PE-owned insurers, however, increased to 132 in 2021 from 117 in 2020, but they were about 3% of the total number of legal entity insurers at both year-end 2021 and year-end 2020. Consistent with prior years, U.S. insurers have been identified as PE-owned via a manual process. That is, the NAIC Capital Markets Bureau identifies PE-owned insurers to be those who reported any percentage of ownership by a PE firm in Schedule Y, and other means of identification such as using third-party sources, including directly from state regulators. As such, the number of U.S. insurers that are PE-owned continues to evolve.¹

Life companies continue to account for a significant proportion of PE-owned insurer investments at year-end 2021, at 95% of total cash and invested assets (see Table 1). This represents a small decrease from 97% at year-end 2020 (see Table 2). Notwithstanding, there was a slight increase in PE-owned insurer investments for property/casualty (P/C) companies, to 4% at year-end 2021, compared to 3% the prior year. In addition, there was also a small increase in total BACV for PE-owned title and health companies' investments, at about \$1.1 billion at year-end 2021, compared to under \$1 billion at year-end 2020.

| | | | | |
|-------------------------------|----------|---------|----------|------|
| Bonds | \$ 312.0 | \$ 15.2 | \$ 327.5 | 69% |
| Mortgages | \$ 59.4 | \$ 0.2 | \$ 59.6 | 13% |
| BA & Other | \$ 27.1 | \$ 0.6 | \$ 27.8 | 6% |
| Cash & Short-term Investments | \$ 25.0 | \$ 2.1 | \$ 27.7 | 6% |
| Common Stock | \$ 10.8 | \$ 2.6 | \$ 13.5 | 3% |
| Contract Loans | \$ 5.4 | \$ - | \$ 5.4 | 1% |
| Derivatives | \$ 4.5 | \$ - | \$ 4.5 | 1% |
| Other Receivables | \$ 2.6 | \$ 0.0 | \$ 2.7 | 1% |
| Preferred Stock | \$ 3.3 | \$ 0.0 | \$ 3.3 | 1% |
| Real Estate | \$ 0.1 | \$ 0.0 | \$ 0.1 | 0% |
| | \$ 450.1 | \$ 20.9 | \$ 472.0 | 100% |
| Pct of Total | 95% | 4% | 100% | |

*Total includes \$1.1 billion with title and health companies. Percent of total in bottom row may not add up to 100% due to rounding.

¹ The names of particular U.S. insurers that are PE-owned is proprietary and available only to state insurance regulators.

Corporate Bonds Continue as the Largest Bond Type

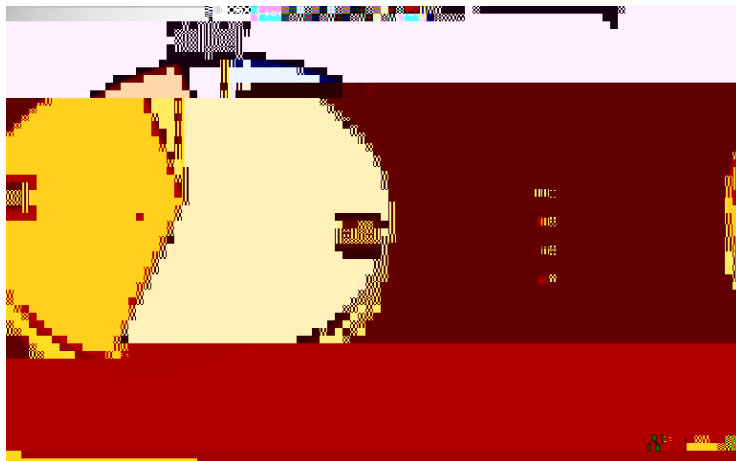
Corporate bonds were the largest bond type among PE-owned U.S. insurers at \$171.3 billion, which was down 4% from \$178.5 billion at year-end 2020. (See Table 3.) As a proportion of total bonds, though, corporate bonds increased to 52% of total bonds at year-end 2021 from 49% at year-end 2020. Exposure to corporate bonds for *all* U.S. insurers was 56.4% of total bonds at year-end 2021 and has generally been in the mid-50% range in previous years.

risk. The overall U.S. insurance industry, on the other hand, had a higher concentration of investments such as municipal bonds and U.S. government securities, which tend to carry less credit risk than the aforementioned, nontraditional bond types. Table 4 shows the bond breakdown in percentage terms for PE-owned U.S. insurers versus the overall U.S. insurance industry at year-end 2021.

| | PE-owned U.S. Insurers | Overall U.S. Insurance Industry |
|-------------------------------------|------------------------|---------------------------------|
| Corporate Bonds | 52% | 56% |
| ABS and Other Structured Securities | 28% | 10% |
| Private Label CMBS | 6% | 4% |
| Municipal Bonds | 5% | 10% |
| Private Label RMBS | 4% | 2% |
| Agency-Backed RMBS | 2% | 5% |
| Bank Loans | 2% | 2% |
| U.S. Government | | |

High Credit Quality for Bonds

Same as year-end 2020, at year-end 2021, 95% of bonds held by PE-owned U.S. insurers carried NAIC 1 and NAIC 2 designations (see Chart 1), implying high credit quality ratings, and the remaining bonds carried NAIC 3 and NAIC 4 designations. Also, similar to year-end 2020, at year-end 2021, about 94% of ABS and Other Structured Securities held by PE-owned insurers carried NAIC 1 and NAIC 2 designations, also implying high credit quality, and perhaps mitigating any concern over the relatively high investment concentration in these nontraditional bonds as well as any concern that may arise when the markets experience volatility.



Small Increase in Schedule BA Investments' BACV; Proportion Remains the Same

There was a small increase in the BACV of total Schedule BA – Other Long-term Invested Assets held by PE-owned insurers to \$27.7 billion at year-end 2021 from \$22.7 billion at year-end 2020. Unaffiliated Schedule BA investments were about half of total PE-owned U.S. insurers' Schedule BA investments (or \$13.9 billion) at year-end 2021, and they were about 56% of PE-owned insurers' Schedule BA investments at year-end 2020 (\$12.6 billion)

announcements for mergers and acquisitions of insurance companies by PE firms increased 30% from 2020 to 2021.²