[illegible]

[redacted]

[illegible]

Similar to previous years, life and property/casualty (P/C) companies accounted for more than 95% of the industry's assets. Life companies hold the largest share, or 64.2%, of the industry's total cash and invested assets in 2021, while relatively illiquid. Illiquid investments generally have less credit and pricing transparency and are, therefore, subject to greater price volatility. The BACV of mortgages increased gradually over the last 10 years, almost doubling over the period. In terms of percentage, mortgages accounted for 8.3% total cash and invested assets as of year-end 2021 compared to 6.4% as of year-end 2010. While there was a slowdown in the pace of growth in 2020, mortgage exposure grew 6.9% in 2021 to $669 billion. (See Chart 2.)

Chart 2: Historical U.S. Insurance Industry Total Mortgages, 2012–2021

Growth in Schedule BA assets held by U.S. insurance companies, including affiliated and unaffiliated, accelerated to almost 15% at year-end 2021. (See Chart 3.) 2021 marks the largest YOY increase in Schedule BA exposure since the NAIC Capital Markets Bureau began tracking data in 2010, and it is the third year in a row that Schedule BA assets grew more than 10% on a YOY basis. The share of Schedule BA assets has increased to 6.5% of total cash and invested assets as of year-end 2021 from 4.5% at year-end 2010. Despite significant growth over the years, Schedule BA assets do not represent a traditional

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following YOY growth rates of 13% and 17% in 2020 and 2019, respectively. The significant growth has resulted in the industry's exposure to bank loans exceeding exposure to both private-label RMBS and agency-backed CMBS, with bank loans representing the seventh largest bond type in insurers' investment portfolios at year-end 2021, up from the ninth largest at year-end 2020.

Table 4: Bond Breakdown by Insurer Type, Year-End 2020 (BACV$ in Millions)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72.2%	24.2%	3.5%	[illegible]	100%	% of Total

Note: Numbers in the table have been rounded.

After broad-based deterioration in credit quality in 2020, bond upgrades outpaced downgrades in 2021 according to S&P Global Ratings (S&P) due to central bank and government support that enabled the global economy and credit ratings to begin recovering from the effects of the COVID-19 pandemic. The credit quality of U.S. insurance companies' investment portfolios, therefore, stabilized in 2021 after experiencing an increase in high-yield bond exposure in 2020. Below-investment grade bonds, or those with reported NAIC 3 designations and below, decreased marginally from 6.1% of total bond exposure in 2020 to 6% in 2021, following a spike from 5.1% in 2019. Investment grade bonds, or those with reported NAIC 1 or NAIC 2 designations, accounted for 94% of total bonds, relatively unchanged from 93.9% at year-end 2020. (See Chart 4 and Chart 5.)