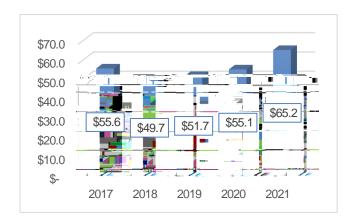
Together, securities lending reinvested collateral, repos, and reverse repos have totaled only about 1% of U.S insurers total cash and invested assets over the past several years.

Securities Lent

U.S insurers report investments involved with securities lending activity in the annual statement filings, but they do not identify the specific amount of securities lent to borrowers; rather, they

securities received are recognized in the financial statements and are referred to collateral, even though the insurer may not actually sell or repledge the collateral. Insurers can earn investment income on reinvested collateral, and in doing so, they must consider not only the credit risk of the reinvested collateral but also the asset/liability management risk relative to the lent securities.

Reinvested collateral held by U.S. insurers totaled \$65.2 billion in BACV at year-end 2021 based on data reported in Schedule DL, Part 1 and Schedule DL, Part 2. This represents an 18% increase from \$55.1 billion at year-end 2020. Chart 2 shows U.S. insurer historical exposure to securities lending reinvested collateral over the last five years. It has been steadily rising since 2018 and increased by about 17% from 2017 to 2021.



Smilar to year-end 2020, about 43% of collateral held by U.S insurers for securities lent at year-end 2021 was in cash and cash equivalents (refer to Chart 3). Short-term investments represented 14% of total collateral, representing a slight increase from 13% at year-end 2020. When combined with cash and cash equivalent collateral, almost 60% of the total was in highly liquid assets, which was the same as year-end 2020. There was also an increase in U.S government bonds at year-end 2021 to 4% of total collateral, from 2% at year-end 2020, as well as an increase in municipal bonds to 3% from 2%. These aforementioned trends indicate an increase in liquid collateral YOY. Residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (QMBS), and asset-backed securities (ABS) combined represented 16% of total collateral at year-end 2021, compared to 20% at year-end 2020. This reduction in less liquid collateral also lends support to an increase in reinvested collateral liquidity.

Life companies accounted for about 84 at year-end 2021, representing a decrease from 86% at year-end 2020. Offsetting this decrease, property/casualty (P/C) companies accounted for 12% at year-end 2021, up from 10% the prior year. In addition, large U.S. insurers, or those with more than \$10 billion in assets under at year-

end 2021.

About three-quarters of reinvested collateral carried NAIC1 and NAIC2 Designations, implying high credit quality, and about 80% of reinvested collateral was scheduled to mature in 10 years or less at year-end 2021.

Repos and Reverse Repos

Smilar to securities lent, U.S. insurers report the total amount of securities associated with repo and reverse repo activity in the investment schedules; i.e., Schedule D, Part 1; Schedule D, Part 2, Section 2; and Schedule DA. For the purpose of this special report, and based on accounting guidance, total repo and reverse repo activity reported by U.S. insurers in Note 5L1Cthrough Note 5L1F was about \$31.8 billion in BACV of securities associated with repos and reverse repos, with about \$3.6 billion, or 11% of this total, accounting for reverse repos. This is a 16% YOY increase from a total of \$28 billion at year-end

reinvested, to address any mismatch in the maturity of the reinvested collateral and when a borrower can demand a return of the cash it posted, as indicated in the applicable securities lending agreement. The statutory accounting guidance also has collateral requirements that must be maintained for continued admittan rTt 00 G(d)]TJETQq0.00000912 0 612 792 reW*nBT/F1 11.04 Tf1 0 LTJ