
Number of PE-Owned US Insurers Jumped 31% in 2020: NAIC

By Editorial Staff Thu, Jul 22, 2021

A new report from the National Association of Insurance Commissioners describes the investment holdings of the growing population of insurers--mostly life insurers--that are owned wholly or in part by private equity companies.

In a new [Capital Markets Special Report](#), analysts at the National Association of Insurance Commissioners have collected data on the investments of “private equity-owned” US life insurers as of year-end 2020. Large PE firms began acquiring life insurers and blocks of life/annuity contracts in 2010, and have become a force in the fixed indexed annuity business in particular.

As of year-end 2020, PE-owned US insurers accounted for \$487 billion in book/adjusted carrying value (BACV) of total cash and invested assets, up 41% from about \$344 billion at year-end 2019, the NAIC reported. The BACV of total cash and invested assets for PE-owned insurers was 6.5% of the U.S. insurance industry’s \$7.5 trillion at year-end 2020, the report said.

In number, PE-owned insurers comprised about 3% of the total number of CoCodes (117 out of 4,530) at year-end 2020, compared to about 2% (89 out of 4,482) at year-end 2019. Consistent with prior years, US insurers were identified as PE-owned via a manual process.

The NAIC Capital Markets Bureau identifies PE-owned insurers as those who reported any percentage of ownership by a PE firm in Schedule Y. Others were identified using third-party sources. The number of PE-owned US insurers continues to evolve. Of the 117 PE-owned insurers, 58 were identified via Schedule Y; 44 reported being wholly owned.

Highlights of the report include:

- The number of private equity (PE)-owned US insurers identified by the NAIC Capital Markets Bureau totaled 117 at year-end 2020; total cash and invested assets for these insurers was approximately \$487 billion in book/adjusted carrying value (BACV).
- The majority of PE-owned US insurers were life companies.
- Similar to the overall US insurance industry, bonds were the largest asset type for PE-owned insurers, at 74% of their total cash and invested assets; corporate bonds were the largest bond type, at about 49% of total bonds.
- The concentration of nontraditional bonds—i.e., asset-backed securities (ABS) and other structured securities (which includes collateralized loan obligations, or [CLOs])—was higher for PE-owned insurers in terms of the percentage of total bonds,

compared to the overall US insurance industry at year-end 2020.

- About 95% of unaffiliated corporate bond exposure carried NAIC 1 and NAIC 2 designations, implying high credit quality.
- Other long-term invested assets (as reported in Schedule BA) remained constant as a percentage of total cash and invested assets year over year (YOY). However, total BACV increased.
- Schedule DA investments for PE-owned insurers increased by 2.6% from 2019 to 2020 in terms of BACV; one PE-owned insurer accounted for about 35% of the exposure at year-end 2020.

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