Annual Report on the Insurance Industry

FEDERAL INSURANCE OFFICE, U.S. DEPARTMENT OF THE TREASURY

Completed pursuant to Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act

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GLOSSARY

A&H	....	Accident and Health
ABS	....	Asset-Backed Securities
AI	....	Artificial Intelligence
Cat Bonds	....	Catastrophe Bonds
CEA	....	California Earthquake Authority
CLO	....	Collateralized Loan Obligation
CMBS	....	Commercial Mortgage-Backed Securities
CML	....	Commercial Mortgage Loan
Condos	....	Condominiums
Co-ops	....	Co-operative apartments
CRE	....	Commercial Real Estate
Dodd-Frank Act	....	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
FACI	....	Federal Advisory Committee on Insurance
FAIR Plans	....	Fair Access to Insurance Requirements Plan
Federal Reserve	....	Board of Governors of the Federal Reserve System
FIA	....	Fixed Index Annuities
FIO	....	Federal Insurance Office
Florida Citizens	....	Florida's Citizens Property Insurance Corporation
FSOC	....	Financial Stability Oversight Council
Health	....	Health Insurance Sector (includes companies licensed solely as health insurers or as health maintenance organizations)
IAIS	....	International Association of Insurance Supervisors
ICS	....	Insurance Capital Standard

IFTRIP	....	International Forum of Terrorism Risk (Re)Insurance Pools
ILS	....	Insurance-Linked Securities
IPO	....	Initial Public Offering
L&H	....	Life and Health
M&A	....	Mergers & Acquisitions
Minneapolis FRB	....	Federal Reserve Bank of Minneapolis
NAIC	....	National Association of Insurance Commissioners
P&C	....	Property and Casualty
PRT	....	Pension Risk Transfer
RBC	....	Risk-Based Capital
RBC IRE Working Group	....	The NAIC's RBC Investment Risk and Evaluation Working Group
Report	....	FIO, *Annual Report on the Insurance Industry* (2025)
RILA	....	Registered Index-Linked Annuities
RMBS	....	Residential Mortgage-Backed Securities
S&P Global	....	S&P Global Market Intelligence
Secretary	....	Secretary of the Treasury
TPLF	....	Third-Party Litigation Funding
TRIA	....	Terrorism Risk Insurance Act of 2002, as amended
TRIP	....	Terrorism Risk Insurance Program
Treasury	....	U.S. Department of the Treasury

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I. INTRODUCTION

This Report is submitted by the Federal Insurance Office (FIO) of the U.S. Department of the Treasury (Treasury) pursuant to Section 502(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which requires the annual submission by FIO of a report to the President, the Committee on Financial Services of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate "on the insurance industry and any other information as deemed relevant by the [FIO] Director or requested by such Committees."[1]

A. The Structure of this Report and Summary of Findings

This Report begins with an overview of FIO's statutory responsibilities, then summarizes certain of FIO's key activities. Section II focuses on the aggregate 2024 financial results of life & health (L&H) and property & casualty (P&C) insurers licensed in the United States. It presents a discussion and analysis of the insurance industry's financial performance in calendar year 2024 and its financial condition as of December 31, 2024. It also includes a discussion of capital markets activity, alternative risk transfer, residential insurance, and an overview and outlook regarding the international insurance market. Section III provides a short conclusion of the Report.

Financial Performance Overview: The U.S. insurance industry reached new highs in 2024 in terms of direct written premiums ($3.3 trillion for the industry as a whole), with an accompanying increase in surplus. Higher interest rates that prevailed over 2024 allowed insurers to invest new money and reinvest proceeds from maturities at higher yields, leading to strong gains in net investment income. As a result of profitable operations, the industry's surplus position increased, enhancing the industry's financial flexibility. The insurance industry's results for the year were reflected in the performance of their stock prices. An index of L&H stocks only slightly underperformed the S&P 500, while an index of P&C stocks outperformed the S&P 500 in 2024.

L&H Sector: For the L&H sector, 2024 direct written premiums saw strong growth across all major business lines (i.e., life insurance, annuities, and accident and health (A&H)). Savings products like registered index-linked annuities (RILAs), fixed indexed annuities (FIAs), and traditional variable annuities experienced strong consumer demand. Net ceded reinsurance in 2024 was flat compared to 2023 but continued to see increasing amounts ceded to offshore jurisdictions. As would be expected in a year of higher interest rates, surrender activity increased, as did additions to reserves, leading to a decline in operating income. Capital markets conditions allowed for a sound increase in net investment income and lower realized capital losses compared to 2023. The L&H sector's capital and surplus continued to grow in 2024, albeit at a slower rate.

P&C Sector: For 2024, P&C sector direct premiums written reached a new record level following the third consecutive year of a 10 percent or greater annual increase. Gains in

[1] Federal Insurance Office Act of 2010 (FIO Act), 31 U.S.C. § 313(n)(2).

both personal lines (e.g., personal auto and homeowners) and commercial lines (e.g., commercial multi-peril) were driven by both general growth in the domestic economy as well as rate increases. Despite higher estimated insured catastrophic losses and the general impacts of regulatory constraints, inflationary pressures, and rising reinsurance costs during 2024, the sector experienced a sharp gain in underwriting profit and net income. Net income was also boosted by increases in net investment income and net realized capital gains.

Capital Markets: The insurance industry continued to access the capital markets to fund growth and/or provide balance sheet relief in 2024. Debt was again the preferred funding source, despite the higher interest rate environment. Alternative risk transfer mechanisms remained in high demand as well.

Residential Insurance: A range of factors may affect the costs of residential insurance, including rising replacement and building costs; elevated reinsurance costs; the movement of people into riskier areas; exposure to natural catastrophes; regulation; and litigation-related costs. Many states offer incentives to encourage property owners to strengthen their homes, including insurance discounts, tax deductions, and direct grants for retrofitting structures. Availability and affordability challenges can place pressure on states that have residual markets, which serve as the "insurers of last resort" in 34 states and the District of Columbia.

International: At the end of 2024, the United States accounted for a 45 percent share of world direct premiums and continued to be the world's largest single-country insurance market. Globally, direct written premiums increased by five percent (in real terms, adjusted for inflation), with growth in emerging economies outpacing gains in advanced economies for the third consecutive year.

FIO has continued its international engagement on insurance issues. Among other initiatives, this work includes representing the United States at the International Association of Insurance Supervisors (IAIS) and the International Forum of Terrorism Risk (Re)Insurance Pools (IFTRIP), participating in the EU-U.S. Insurance Dialogue Project, and bilateral discussions with authorities such as the Insurance Regulatory and Development Authority of India and the Bermuda Monetary Authority.

B. Federal Insurance Office Overview and Activities

1. FIO Overview

In the United States, the primary regulators of the business of insurance are the 50 states, the District of Columbia, and the five U.S. territories.

The federal government also plays an important role in the insurance industry.[2] Title V of the Dodd-Frank Act established FIO within Treasury.[3] In addition to advising the Secretary of the Treasury (Secretary) on major domestic and prudential international insurance policy issues and having its Director serve as a non-voting member of the Financial Stability Oversight Council (FSOC), FIO is authorized to, among other things:

- monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system;
- monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance, except health insurance;
- recommend to FSOC that it designate an insurer, including the affiliates of such insurer, as an entity subject to regulation as a nonbank financial company supervised by the Board of Governors of the Federal Reserve System (Federal Reserve);
- assist the Secretary in the administration of the Terrorism Risk Insurance Program (TRIP), as established in Treasury under the Terrorism Risk Insurance Act of 2002, as amended (TRIA);
- coordinate federal efforts and develop federal policy on prudential aspects of international insurance matters, including representing the United States, as appropriate, in the IAIS and assisting the Secretary in negotiating covered agreements;
- determine whether state insurance measures are preempted by covered agreements;
- consult with the states (including state insurance regulators) regarding insurance matters of national importance and prudential insurance matters of international importance; and
- perform such other related duties and authorities as may be assigned to FIO by the Secretary.[4]

In addition, before the Secretary may make a determination as to whether to seek the appointment of the Federal Deposit Insurance Corporation as receiver of an insurer under Title II of the Dodd-Frank Act, the Secretary must first receive a written recommendation from the FIO Director and the Federal Reserve.[5] Also, FIO and the Federal Reserve coordinate on the performance of annual analyses of nonbank financial companies supervised by the Federal Reserve, particularly with respect to stress testing, to evaluate

[2] The federal government also may have a significant impact on insurers through, among other things, the regulation of financial products or markets that include insurance (e.g., regulation of securities by the U.S. Securities and Exchange Commission) and the taxation of insurers and their products.

[3] FIO Act, 31 U.S.C. § 313(a). Title V also designates the Secretary as advisor to the President on "major domestic and international prudential policy issues in connection with all lines of insurance except health insurance." *Id.* at § 321(a)(9).

[4] FIO Act, 31 U.S.C. § 313(c)(1).

[5] Dodd-Frank Act, 12 U.S.C. § 5383(a)(1)(C).

whether such companies have the capital, on a consolidated basis, necessary to absorb losses as a result of adverse economic conditions.[6]

2. FIO Activities

FIO released its previous Annual Report on September 30, 2024, together with its annual Preemption Report.[7] FIO's activities since those discussed in the last Annual Report include those summarized below.

Domestic Activities

On May 2, 2025, FIO hosted a roundtable discussion with representatives from the insurance sector, including insurers, reinsurers, brokers, state regulators, resilience and consumer groups, and academics to discuss ways to lower costs and maintain availability of homeowners insurance as part of the Trump Administration's efforts to address the cost-of-living crisis. Senior Treasury Department officials led discussions on cost and availability issues within the homeowners insurance market as well as current efforts by the insurance sector, state and local governments, and regulators to address these issues.[8]

FIO contributed to the President's Working Group on Digital Asset Markets' report, *Strengthening American Leadership in Digital Financial Technology*, which includes a section on insurance and digital assets.[9] The report includes various steps Treasury and state regulators could take to help improve regulatory certainty and develop a more robust market for digital asset insurance.

FIO continued to administer TRIP on the Secretary's behalf. Among other things, TRIP reviewed and analyzed responses to a request for public comment on "issues that FIO will be analyzing in connection with its upcoming study related to the participation of small insurers in the [Terrorism Risk Insurance] Program, including any competitive challenges such insurers face in the terrorism risk insurance marketplace."[10] FIO conducted its annual TRIP data call, as required under TRIA, for which all insurers participating in TRIP were required to submit information, subject to certain reporting exemptions.[11] On June 30, 2025, FIO released its 2025

[6] 12 U.S.C. § 5365(i)(1)(A).

[7] FIO, *Annual Report on the Insurance Industry* (2024), https://home.treasury.gov/system/files/311/2024-09-30%20Clean%20FIO%20AR%20508_2.pdf (*2024 Annual Report*); FIO, *2024 Preemption Report – Federal Insurance Office* (2024), https://home.treasury.gov/system/files/311/2024%20FIO%20Preemption%20Report_Clean.pdf (noting that during the fiscal year ending September 30, 2024, FIO did not take any action regarding the preemption of any state insurance measures that were inconsistent with a covered agreement).

[8] Treasury, "U.S. Department of the Treasury Hosts Roundtable on Opportunities to Lower Costs and Maintain Availability of Homeowners Insurance," news release, May 2, 2025, https://home.treasury.gov/news/press-releases/sb0128.

[9] The President's Working Group on Digital Assets, *Strengthening American Leadership in Digital Financial Technology* (2025) https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf.

[10] Comments in Aid of Analyses of the Terrorism Risk Insurance Program, 90 Fed. Reg. 14,522 (April 2, 2025).

[11] *See* 2025 Terrorism Risk Insurance Data Call, 90 Fed. Reg. 16,593 (April 18, 2025).

Study of Small Insurer Competitiveness in the Terrorism Risk Insurance Marketplace, informed by the feedback received from the request for comment together with information aggregated from the annual data calls.[12] On December 27, 2024, Treasury issued a Federal Register notice advising that TRIP's insurance marketplace aggregate retention amount under TRIA for 2025 would be $53,366,227,478.[13] On June 16, 2025, Treasury published a final rule on inflation adjustments of civil monetary penalties, including penalties under TRIP.[14]

FIO continued its work regarding insurance for cyber risk, including the evaluation of whether some cyber-related risks could result in catastrophic losses typically outside the coverage of most cyber insurance policies, reflecting a potential cyber risk insurance protection gap. FIO's cyber work also considered whether and how some potential cyber losses may fall outside or within the provisions of TRIP. FIO also continued to assess cyber insurance market developments.

The Federal Advisory Committee on Insurance (FACI) held public meetings on September 26, 2024, and December 12, 2024. During these meetings, FACI discussed and heard presentations on (among other matters) cyber risk, developments at the IAIS with respect to the Insurance Capital Standard (ICS) and the Aggregation Method comparability assessment, and artificial intelligence and insurance.[15]

With respect to FSOC, FIO staff contributed to the FSOC 2024 Annual Report.[16] FIO staff also continued to participate in various FSOC committees and the FIO Director attended meetings of FSOC principals.[17]

Box 1: Artificial Intelligence Trends and Opportunities in the Insurance Sector

Artificial intelligence (AI) is modernizing key areas of the insurance industry—such as underwriting, claims processing, fraud detection, marketing, and risk management—with potential benefits that include streamlined operations and lower operational costs, improved underwriting efficiency, improved fraud detection, faster claims processing, and customization of insurance policies. The Administration's AI Action Plan released in July 2025 prioritizes accelerating private sector-led innovation and enhancing U.S. leadership in AI,[18] which may speed the implementation of AI modernization in the insurance sector.

[12] FIO, *Study of Small Insurer Competitiveness in the Terrorism Risk Insurance Marketplace* (2025) https://home.treasury.gov/system/files/311/2025%20Small%20Insurer%20Study%20FINAL%20508.pdf.

[13] IMARA Calculation for Calendar Year 2025 Under the Terrorism Risk Insurance Program, 89 Fed. Reg. 105,688 (December 27, 2024).

[14] Inflation Adjustment of Civil Monetary Penalties, 90 Fed. Reg. 25,483 (June 16, 2025).

[15] FACI is a federal advisory committee tasked with making non-binding recommendations to FIO in performing its duties and authorities. More information on FACI— including its meeting agendas, minutes, and presentations—is available on Treasury's website. *See* "Federal Advisory Committee on Insurance (FACI)," Treasury, https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/federal-advisory-committee-on-insurance-faci.

[16] FSOC, *Annual Report* (2024), https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf.

[17] *See* "Council Meetings," Financial Stability Oversight Council, https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/council-meetings.

[18] The White House, "White House Unveils America's AI Action Plan," news release, July 23, 2025, https://www.whitehouse.gov/articles/2025/07/white-house-unveils-americas-ai-action-plan/.

AI supports innovation across the P&C, L&H, and health insurance sectors. Surveys in 2022 and 2023 found that 88 percent of private passenger auto insurers, 70 percent of homeowners insurers, and 58 percent of life insurers use, plan to use, or plan to explore using AI and machine learning tools.[19] P&C insurers are using AI to analyze claims data in real time, detect inconsistencies, forecast catastrophic weather losses, and expedite claims payments.[20] Life insurers use AI for pricing, marketing, and underwriting functions.[21] Insurance stakeholders have also highlighted the emergence of agentic AI, that is, AI systems that are designed to autonomously make decisions and execute tasks based on goals set by users.[22]

FIO is engaging with the insurance industry, state regulators, and other stakeholders on AI adoption in the insurance sector.[23] The NAIC adopted the Model Bulletin on the Use of Artificial Intelligence Systems by Insurers in December 2023.[24] This bulletin was developed as principles-based guidance that is intended to apply a state's existing statutory framework, and reminds insurers that decisions impacting consumers that are made or supported by "advanced analytical and computational technologies, including AI" must comply with all applicable insurance laws and regulations.[25] The bulletin does not create new standards or obligations and serves as non-binding guidance to insurers, setting forth state regulators' "expectations as to how insurers will govern the development/acquisition and use of certain AI technologies."[26] The NAIC's Big Data and Artificial Intelligence Working Group is exploring the drafting of a model

[19] NAIC, Life Insurance Artificial Intelligence/Machine Learning Survey Results (December 2023) https://content.naic.org/sites/default/files/inline-files/Life%20AI%20Survey%20Report%20Final.pdf; NAIC, Private Passenger Auto Artificial Intelligence/Machine Learning Survey Results (December 8, 2022), https://content.naic.org/sites/default/files/inline-files/PP%20Auto%20Survey%20Team%20Report%20120822.pdf; NAIC, Home Insurance Artificial Intelligence/Machine Learning Survey Results (August 10, 2023) https://content.naic.org/sites/default/files/committee_related_documents/Home%2520Survey%2520Team%2520Report_08102023.pdf.

[20] Letter from American Property Casualty Insurance Association to Chair, NAIC Big Data and Artificial Intelligence Working Group (June 30, 2025), available in NAIC, "AI Model Law Request for Information – Comments Received," 31, https://content.naic.org/sites/default/files/inline-files/AI%20Model%20Law%20Request%20for%20Information-Comments%20Received%207.3.25.pdf.

[21] NAIC, Life Insurance Artificial Intelligence/Machine Learning Survey Results.

[22] *See, e.g.*, *Guardrails and Growth: AI's Role in Capital and Insurance Markets, Senate Committee on Banking, Housing, and Urban Affairs*, 119th Cong. (July 30, 2025), https://www.banking.senate.gov/imo/media/doc/kalinich_testimony_7-30-25.pdf; John Keddy, "Presentation on the Use of Agentic AI in the Insurance Industry" (presentation, NAIC Big Data and Artificial Intelligence Working Group, July 16, 2025), 27-58, https://content.naic.org/sites/default/files/call_materials/Materials-Big-Data-AI-WG20250716.pdf.

[23] *See* "Federal Advisory Committee on Insurance (FACI)," Treasury, https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/federal-advisory-committee-on-insurance-faci (presentations on AI available under "Meetings" for March 2024 and June 2023).

[24] NAIC, Model Bulletin on the Use of Artificial Intelligence Systems by Insurers (December 4, 2023), https://content.naic.org/sites/default/files/inline-files/2023-12-4%20Model%20Bulletin_Adopted_0.pdf.

[25] Twenty three states and the District of Columbia have adopted the bulletin, and an additional four states have enacted related regulations or promulgated other guidance materials addressing similar topics. *See* NAIC, *Implementation of NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers (*as of August 5, 2025*)*, https://content.naic.org/sites/default/files/cmte-h-big-data-artificial-intelligence-wg-map-ai-model-bulletin.pdf.

[26] NAIC, Model Bulletin on the Use of Artificial Intelligence Systems by Insurers.

law to regulate insurers' use of AI.[27] The working group has also proposed an AI Systems Evaluation Tool to "enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks."[28]

FIO will continue to monitor AI developments in the insurance sector and provide insurance expertise as part of Treasury's efforts related to AI adoption in the financial sector.

International Activities

FIO continues to fulfill its statutory role representing the United States in the IAIS and in other forums on prudential international insurance measures. Throughout 2024 and 2025, FIO continued its involvement in IAIS activities, including as a member of the IAIS Executive Committee. FIO's work at the IAIS includes matters relating to the implementation of the Holistic Framework, the comparability work of the Aggregation Method to the ICS, and other initiatives. FIO also continued its engagement across multiple committees, working groups, task forces, and forums at the IAIS on a variety of other issues, including matters relating to resolution of insurers, macroprudential supervision, financial crimes, operational resilience, and cybersecurity.

FIO currently serves as Chair of IFTRIP and participated in IFTRIP's annual meeting in May 2025 in Cape Town, South Africa. IFTRIP is an organization of international terrorism risk insurance programs that serves as a forum for the development of best practices, thought leadership, and discussion of areas of common interest in the insurance of terrorism risk.[29] The annual meeting considered a range of topics, including emerging risks, multi-risk pools, terrorism risk modeling, and the participation of the capital markets in supporting the insurance and reinsurance of terrorism risk.

During the past year, FIO completed its reporting requirements under the Economic Growth, Regulatory Relief, and Consumer Protection Act.[30] On November 13, 2024, Treasury and the Federal Reserve published, *The Impact of the International Insurance Capital Standard on Consumers and Markets in the United States*.[31] On November 20, 2024, Treasury and the Federal Reserve published a notice of completion of the report and a request for comments on

[27] NAIC, Big Data and Artificial Intelligence Working Group Request for Information (May 12, 2025), https://content.naic.org/sites/default/files/inline-files/RFI%20-%20AI%20Model%20Law_0.pdf.

[28] NAIC, "AI Model Law Request for Information – Comments Received"; NAIC, AI Systems Evaluation Tool (July 7, 2025), available through https://content.naic.org/committees/h/big-data-artificial-intelligence-wg (see "Exposure Drafts" tab).

[29] *See, e.g.*, "Sharing Knowledge About Terrorism Risk," IFTRIP, http://iftrip.org/ ; Willis Towers Watson, *2025 Terrorism Pool Index* (2025), available through https://www.wtwco.com/en-ie/insights/2025/05/the-terrorism-pool-index-2025 (summarizing terrorism risk programs in IFTRIP member countries).

[30] Pub. L. No. 115-174, 132 Stat. 1296

[31] Treasury and Federal Reserve, *The Impact of the International Insurance Capital Standard on Consumers and Markets in the United States* (2024), https://www.federalreserve.gov/publications/files/ics-impact-report-202411.pdf.

the report.[32] On December 20, 2024, the Federal Reserve published a joint report co-authored with FIO, *Engagement in Global Insurance Regulatory or Supervisory Forums in 2023*.[33]

FIO remained engaged in the Insurance and Private Pensions Committee (now known as the Working Party on Insurance and Pensions) at the Organisation for Economic Co-Operation and Development. FIO also continued to participate in the EU-U.S. Insurance Dialogue Project.

Finally, FIO continued work on the covered agreements, including participating in the seventh meeting, on April 29, 2025, of the Joint Committee established under the U.S.-EU Agreement on Prudential Measures Regarding Insurance and Reinsurance.[34]

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[32] Study and Report to Congress on the Impact on Consumers and Markets in the United States of a Final International Insurance Capital Standard, 89 Fed. Reg. 91,750 (November 20, 2024).

[33] Treasury and Federal Reserve, *Engagement in Global Insurance Regulatory or Supervisory Forums in 2023* (2024), https://home.treasury.gov/system/files/311/2024_GlobalInsuranceForumsReport_final.pdf.

[34] Treasury, "United States and European Union Hold Seventh Joint Committee Meeting under the Bilateral Agreement on Prudential Measures Regarding Insurance and Reinsurance," news release, April 30, 2025, https://home.treasury.gov/news/press-releases/sb0123.

II. INSURANCE INDUSTRY FINANCIAL OVERVIEW AND OUTLOOK

A. Domestic Insurance Marketplace Overview and Outlook

The financial analysis in this section, consistent with prior FIO annual reports, focuses on the U.S. insurance industry's financial performance and condition through December 31, 2024, the latest date for which detailed, comprehensive, and definitive data is available.[35] As in 2024, this year the analysis of the financial performance and condition of the L&H sector encompasses only the last five or six years, while analysis of the financial performance and condition of the P&C sector continues to reflect the past 10 years.[36]

Because inflation continued to remain above the Federal Reserve's two percent target in 2024, insurers continued to adjust to a "higher for longer" interest rate environment by recalibrating pricing strategies, managing unrealized losses, and moving their investment portfolios to higher-yielding assets. Life insurers continued to increase asset-intensive businesses, while P&C insurers addressed increased reserve volatility due to rising costs.

L&H capital and surplus grew for the second consecutive year in 2024, further easing balance sheet pressures, which was further bolstered by the continued admissibility of negative interest maintenance reserves during the year. The effects of elevated interest rates contributed to significant surrender activity, which increased 16 percent in 2024 following a seven percent increase in 2023. On the positive side, higher interest rates contributed to a 10 percent increase in net investment income. Strong premium growth from a record year of annuity sales reinforced L&H liquidity. For the P&C sector, the third consecutive year of 10 percent growth in direct written premiums, a return to an underwriting profit, record net investment income, and more than doubled net earnings led to a return on average equity of 15.9 percent, the highest in the past 10 years. P&C policyholder surplus grew by seven percent, due in large part to the strong gains in profitability. Finally, increased complexity and greater illiquidity in the investment portfolios of both sectors continued in 2024 even in the presence of higher interest rates.

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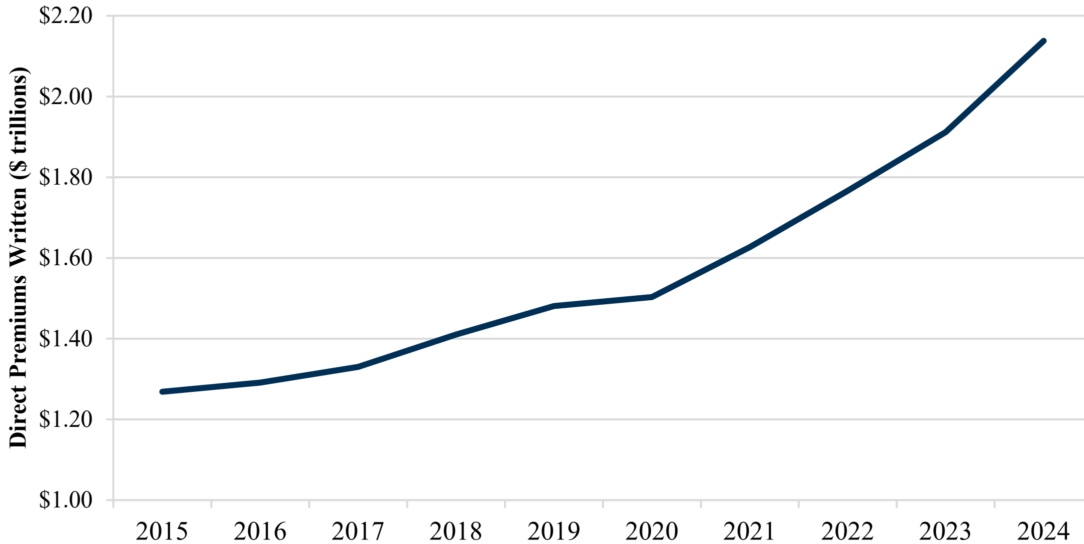
[35] Except as otherwise indicated, data cited in this section of the Report are as of December 31, 2024, as derived from S&P Global Market Intelligence (S&P Global) on May 28, 2025. These data are presented on a statutory accounting basis. S&P Global continuously updates its data for corrections in filings. Because the 2024 data in this Report are based on updated data available as of May 28, 2025, they may be different in some respects from corresponding figures reported in FIO's 2024 Annual Report. Due to certain conventions used by S&P Global for aggregation of industry data, some columns in the accompanying tables may not sum to the totals that have been separately accumulated by S&P Global from individual legal entity data. Some figures may not add to 100 percent due to rounding.

[36] The shortening of the reporting period from 10 years to 5-6 years for the L&H sector is due to the NAIC's 2019 combination of the Annual Statement reporting for fraternal benefit societies and L&H insurers into one consistent form; 2023 was the first reporting year for which S&P Global reflected the combined Annual Statements, having allowed for the development and presentation of five years of historical data. Years prior to 2019 have not been adjusted to reflect this change in reporting and thus are not comparable to the data from 2019 to 2024. As a result of the NAIC and S&P Global reporting changes, some of the numbers and ratios cited in FIO's *2024 Annual Report* for L&H may differ from this report for the 2019-2022 period. The aforementioned reporting change had no impact on financial reporting for the P&C sector.

The growth of the L&H and P&C sectors in 2024 is illustrated in Figure 1, showing direct premiums written. Direct premiums written are the amount policyholders paid for insurance and are a measure of sales activity and growth. The U.S. insurance industry has shown positive year-over-year growth in direct premiums written in each of the past 10 years. In 2024, the combined total direct premiums written in the L&H and P&C sectors was $2.1 trillion, which represented a nearly 12 percent annual increase, a record high rate, and the first crossing of the $2 trillion mark.

Figure 1: Total Direct Premiums Written in L&H and P&C Sectors



Source: S&P Global

1. Financial Performance and Condition Overview

This section addresses the financial performance and condition of the U.S. insurance industry, including the 717 L&H insurers, 2,684 P&C insurers, and 1,331 Health insurers licensed in the United States during 2024.[37] Insurers in the L&H sector offer products in two segments: (1) life insurance and annuities, which generally protect against the risk of financial loss associated with an individual's death and provide income streams for retirement, respectively; and (2) A&H products, which cover expenses for health and long-term care or provide income in the event of disability. Insurers in the P&C sector offer products that generally protect against the risk of financial loss associated with damage to property or exposure to liability for individuals and families (personal lines) or for businesses (commercial lines). The Health sector includes companies licensed solely as health insurers or as health maintenance organizations. This section addresses all three sectors. The detailed financial analyses in subsequent sections are

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[37] *See* S&P Global; A.M. Best, *Best's Aggregates and Averages – Life/Health* (2025), available through https://web.ambest.com/information-services/sales-information/financial-information-products/bests-aggregates-averages; A.M. Best, *Best's Aggregates and Averages – Property/Casualty* (2025), available through https://web.ambest.com/information-services/sales-information/financial-information-products/bests-aggregates-averages.

limited to the L&H and P&C sectors and do not include companies that solely write health insurance.

Combined direct premiums written for the three sectors in 2024 were approximately $3.3 trillion. Direct premiums written for the L&H sector were approximately $1.1 trillion in 2024, constituting 32 percent of direct premiums written for the combined L&H, P&C, and Health sectors. For the P&C sector, direct premiums written were approximately $1.1 trillion, which is also approximately 32 percent of direct premiums written for the three sectors. The Health sector reported $1.2 trillion of direct premiums written for 2024, or approximately 36 percent of the combined total for the three sectors.

At the end of 2024, the L&H sector held approximately $9.3 trillion in total assets (including $3.3 trillion held in separate accounts), the P&C sector held approximately $3.0 trillion, and the Health sector held about $704 billion. As of December 31, 2024, capital and surplus in the L&H sector stood at approximately $523 billion; the P&C sector reported policyholders' surplus of approximately $1.2 trillion; and the Health sector reported approximately $336 billion of capital and surplus.

Figure 2 and Figure 3 show the 10 largest L&H insurance groups measured by direct premiums written, with the market share for life insurance (including annuities and other deposit-type contracts) and for A&H lines of business, respectively. Premiums shown in Figure 2 aggregate all L&H sector products and all geographies of the United States. Premiums shown in Figure 3 aggregate all A&H sector products and all geographies of the United States. The data presented in Figure 2 and Figure 3 for life and A&H business, and in the comparable figures for other lines of business, are aggregated at a group level from filings made with state insurance regulators by individual legal entity insurers writing those lines. For example, premiums shown for MetLife include premiums written and reported by all of its life insurance subsidiaries (reporting legal entities, not including onshore captive reinsurers) in the United States but not business written by affiliated entities in non-U.S. jurisdictions.

Figure 2: L&H Insurance Groups by 2024 U.S. Life Insurance Lines Direct Premiums Written

2024 Rank	Insurance Group	2024 Direct Premiums Written ($000)	Share of Total (%)
1	MetLife	$ 98,768,027	8.56
2	Equitable Holdings	94,600,567	8.20
3	Prudential Financial	65,207,319	5.65
4	New York Life	57,883,049	5.02
5	Athene Holdings (U.S. only)	57,271,530	4.97
6	MassMutual	46,911,341	4.07
7	Corebridge Financial	38,239,036	3.32
8	Nationwide	35,737,798	3.10
9	Western & Southern Financial Group	35,144,232	3.05
10	Pacific Life	34,110,883	2.96
	Combined Top 10	$ 563,873,782	48.89

Source: S&P Global (includes Life Insurance (No Annuity), Annuity Considerations, Deposit-type Contracts (State Page), Other Considerations (State Page))

Figure 3: L&H Insurance Groups by 2024 U.S. A&H Lines Direct Premiums Written

2024 Rank	Insurance Group	2024 Direct Premiums Written ($000)	Share of Total (%)
1	CVS Health Corp.	$ 56,313,134	19.47
2	UnitedHealth Group	55,517,452	19.20
3	Cigna	29,878,606	10.33
4	Unum Group	12,149,796	4.20
5	MetLife	11,224,151	3.88
6	Mutual of Omaha	8,080,098	2.79
7	Guardian	7,308,390	2.53
8	Hartford Life & Accident Ins Co.	7,027,808	2.43
9	Aflac	6,659,555	2.30
10	Lincoln Financial	6,601,136	2.28
	Combined Top 10	$ 200,760,126	69.43

Source: S&P Global

For life insurance and annuity writers, the aggregate market shares of the top 10 firms decreased by almost one percentage point in 2024 to 48.9 percent from 49.8 percent.[38] MetLife and

[38] As noted in footnote 36, beginning in 2019, the NAIC merged life/health and fraternal annual statement filings into one statement type, and beginning with 2023 data, S&P Global now presents the consolidated financial statements. Fraternal insurers, or fraternal benefits societies, are non-profit, member-owned organizations offering life, health, and related insurance products to their members. According to S&P Global, fraternal insurers totaled 61 and wrote $8.9 billion of premium and annuities through the third quarter 2023; since the filings have been

Equitable Holdings remained the largest and second largest writers of life insurance and annuities, respectively, despite losing some market share, but there was significant movement among the third through tenth-largest writers over the year. Prudential Financial's (no. 3) premium growth moved it up three spots from 2023, and New York Life (no. 4) gained one position. Athene (no. 5) and MassMutual (no. 6) each lost two positions in 2024. Corebridge Financial (no. 7) gained two spots while Nationwide (no. 8) and Western & Southern Financial (no. 9) each lost one position compared to 2023. Pacific Life entered the top 10 at number 10, replacing Great-West Financial.

Figure 3 shows A&H premiums written by insurers authorized to offer both life and health insurance; it excludes premiums written by insurers that are authorized to offer only health insurance (health-only insurers are addressed in Figure 7). For example, the data presented in Figure 3 for UnitedHealth Group does not reflect its total health insurance premiums on a consolidated basis, but rather only those premiums written by UnitedHealth subsidiaries licensed to offer both life and health insurance. There was little change among the top 10 writers of A&H lines of business in 2024, as CVS Health Corp. remained the largest writer of A&H lines. Unum Group (no. 4) and MetLife (no. 5) swapped places from 2023, Aflac (no. 9) moved up one spot, and Lincoln Financial entered the top 10 in tenth place. The aggregate market share of the top 10 writers of A&H lines increased by over one percentage point from 2023.

P&C insurers offer a variety of products, generally categorized as either personal lines or commercial lines.[39] Figure 4 reports P&C market share information on a combined personal and commercial lines basis, while Figure 5 and Figure 6 break the P&C sector into personal and commercial lines of business, respectively. On a combined basis, there was little year-over-year change in the composition and aggregate market share of the top 10 P&C groups in comparison to 2023, although Zurich replaced Nationwide in the tenth spot. For personal lines, the composition of the top 10 P&C writers was little changed from 2023, and their total market share decreased by about one percentage point compared to 2023. Similarly, the top 10 writers of commercial lines were little changed, with a slightly higher than one percentage point decline in aggregate market share.

combined, there is no longer a distinction that is quantifiable. Market share measures for prior years may not be directly comparable.

[39] P&C sector total direct premiums written may include small amounts of A&H business and other adjustments.

Figure 4: P&C Insurance Groups by 2024 U.S. Combined Lines Direct Premiums Written

2024 Rank	Insurance Group	2024 Direct Premiums Written ($000)	Share of Total (%)
1	State Farm	$ 108,976,155	10.27
2	Progressive	75,884,809	7.15
3	Berkshire Hathaway	63,279,827	5.96
4	Allstate Corp	55,859,006	5.26
5	Liberty Mutual	44,138,829	4.16
6	Travelers	41,921,555	3.95
7	USAA	36,134,506	3.41
8	Chubb	33,327,135	3.14
9	Farmers Insurance	28,288,709	2.67
10	Zurich	18,565,277	1.75
	Combined Top 10	$ 506,375,808	47.72

Source: S&P Global (includes all lines of business)

Figure 5: P&C Insurance Groups by 2024 U.S. Personal Lines Direct Premiums Written

2024 Rank	Insurance Group	2024 Direct Premiums Written ($000)	Share of Total (%)
1	State Farm	$ 99,598,083	18.47
2	Progressive	63,327,193	11.74
3	Allstate	52,115,029	9.66
4	Berkshire Hathaway	42,259,529	7.84
5	USAA	34,040,299	6.31
6	Farmers Insurance	23,008,890	4.27
7	Liberty Mutual	22,710,533	4.21
8	Travelers	15,620,339	2.90
9	American Family Insurance	15,025,667	2.79
10	Nationwide	9,140,405	1.69
	Combined Top 10	$ 376,845,967	69.88

Source: S&P Global

Figure 6: P&C Insurance Groups by 2024 Commercial Lines Direct Premiums Written

2024 Rank	Insurance Group	2024 Direct Premiums Written ($000)	Share of Total (%)
1	Chubb	$ 26,796,184	5.22
2	Travelers	26,301,216	5.13
3	Liberty Mutual	21,333,915	4.16
4	Berkshire Hathaway	20,101,558	3.92
5	Zurich	18,075,193	3.52
6	AIG	14,853,944	2.90
7	CNA	14,003,374	2.73
8	The Hartford	13,898,538	2.71
9	Progressive	12,547,795	2.45
10	Fairfax Financial	10,660,232	2.08
	Combined Top 10	$ 178,571,949	34.82

Source: S&P Global

Box 2: Insurance and Digital Assets

The responsible growth and use of digital assets are priorities for the Administration. Executive Order 14,178 (EO 14,178) directs the federal government to, among other things, support the responsible growth and use of digital assets, blockchain technology, and related technologies, with the overall goal of promoting United States leadership in digital asset and financial technology.[40] EO 14,178 defines digital assets as "any digital representation of value that is recorded on a distributed ledger[. . .]"[41] Digital assets are increasingly attractive to both investors and individuals.[42] As with other innovations, the cost and availability of adequate digital asset insurance may affect the growth and stability of the digital asset market.

There are broadly two categories of insurance relevant to the digital asset market: personal lines and commercial lines. The personal lines market for digital assets is currently limited. However, there is a small but growing commercial lines market for digital asset insurance. The types of insurance coverage for commercial entities—such as digital asset exchanges, custodians, asset managers, commercial mining operations—include various forms of theft, errors and omissions, accidental loss or damage, and other standard commercial coverages. FIO estimates that approximately 20 insurers provide various types of commercial insurance for digital assets with limits up to $1 billion. Gross revenue has been estimated to be between $1.94 billion in 2024

[40] Exec. Order No. 14,178, 90 Fed. Reg. 8,647 (January 31, 2025).

[41] Exec. Order No. 14,178.

[42] *See, e.g.*, Brett Tejpual, *et al.*, *Increasing Allocations in a Maturing Market* (2025), https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/insights/financial-services/documents/ey-growing-enthusiasm-propels-digital-assets-into-the-mainstream.pdf. *See also* "2025 Cryptocurrency Adoption and Consumer Sentiment Report," Security.org, last updated January 31, 2025, https://www.security.org/digital-security/cryptocurrency-annual-consumer-report/.

and $3.11 billion in 2025.[43] Large commercial insurance brokerages and both new and established insurers participate in the digital asset insurance market.

On July 30, 2025, the President's Working Group on Digital Asset Markets published a report, *Strengthening American Leadership in Digital Financial Technology* (Digital Asset Report).[44] The Digital Asset Report noted that the insurance market would be critical to the growth of the digital asset market and suggested several actions Treasury could take to improve regulatory certainty and develop a more robust insurance market for digital assets. As part of Treasury's implementation of the Digital Asset Report's recommendations, FIO plans to:

- Engage with appropriate regulatory agencies to establish or amend legal definitions of securities, property, or currency so that insurance policies explicitly cover digital assets;
- Work with the insurance sector to create standardized terms, conditions, and policy language for digital assets;
- Engage with the NAIC and state insurance regulators on potential revisions to state regulations relating to digital assets, including allowing insurers to invest in digital assets, as appropriate; and
- Prioritize engagement between the public and private sector to help develop a robust insurance market for digital assets.

As shown in Figure 7, the aggregate market share of the top 10 writers in the Health sector increased in 2024, with the aggregate market share of the top 10 writers at 77.1 percent. UnitedHealth Group remained at the top and increased its market share compared to 2023. There was little change among the composition of the top 10 health insurers.

[43] Joe Toppe, "How Insurance Plays a Role in Cryptocurrency Risks," *PropertyCasualty360*, March 25, 2025, https://www.propertycasualty360.com/2025/03/25/how-insurance-plays-a-role-in-cryptocurrency-risks/.

[44] The President's Working Group on Digital Assets, *Strengthening American Leadership in Digital Financial Technology*, 86.

Figure 7: Health Insurance Groups by 2024 Direct Premiums Written

2024 Rank	Insurance Group	2024 Direct Premiums Written ($000)	Share of Total (%)
1	UnitedHealth Group Inc.	$ 211,637,137	20.67
2	Anthem Inc.	107,545,635	10.50
3	Centene Corp.	111,504,394	10.89
4	Humana Inc.	109,635,768	10.71
5	HealthCare Service Corp.	71,915,064	7.02
6	CVS Health Corp.	62,580,709	6.11
7	GuideWell Mutual Holding Corp.	30,467,835	2.98
8	Molina Healthcare Inc.	31,795,050	3.11
9	Independence Health Group, Inc.	29,358,624	2.87
10	Kaiser Fndtn Health Plan Inc.	22,972,618	2.24
	Combined Top 10	$ 789,412,834	77.10

Source: S&P Global

2. Life and Health Sector

a) Financial Performance

This section presents additional analysis of the financial performance of the L&H sector in 2024 and then assesses the L&H sector's overall financial condition as of December 31, 2024. As discussed above, the analysis focuses on the last five years due to a reporting change.[45]

i. Net Premiums Written

Direct premiums written is a principal measure of the sales activity and growth of an insurer. In 2024, L&H insurers wrote $1.08 trillion of direct premiums written, an increase of 14 percent from the $943 billion reported in 2023, marking the highest rate of growth in the past 10 years and a record high for annual direct premiums written for this sector. Direct premiums written have increased in each of the past five years. Growth in 2024 direct premiums written was driven by strong increases in all major product lines (i.e., life insurance, annuities, and A&H lines). Growth in life insurance premiums was driven by increases in indexed and variable universal life policy sales, mainly in the fourth quarter of 2024.[46] Annuity premiums and considerations, particularly for FIAs and RILAs, hit record sales marks. A rebound in sales of traditional variable annuities also drove strong growth in this sector.[47] Despite slower growth

[45] As noted in footnote 36, FIO shortened the timeframe due to a reporting change to include fraternal insurers that S&P Global began reflecting in its database in September 2023. As a result, some of the numbers cited in FIO's *2024 Annual Report* may differ from this report for the 2019-2022 period.

[46] Ashley Durham, *U.S. Retail Individual Life Insurance Sales Survey – Summary Report, 4th Quarter 2024*, available through https://www.limra.com.

[47] *See, e.g.*, Michael Porcelli, *et al.*, *Best's Market Segment Report: Innovative Changes Ahead for US Life/Annuity in 2025 While Absorbing Prior Industry Shifts* (2025), available through https://news.ambest.com/research/displaybinary.aspx?URatingID=2562038&TY=P&record_code=351982.

compared to 2023, both individual and group annuity sales were at record high levels. Strong equity markets, higher long-term interest rates, and an ample supply of available and new products also contributed to the gains in life insurance and annuity sales.[48]

Box 3: The Retirement Protection Gap and Life Sector Transformation

U.S. retirees face a growing retirement protection gap between the amount of money they have saved for retirement and the savings they will need in the future. According to the Federal Reserve, in 2022, the median retirement savings for households where the reference person was aged 55 to 64 was $185,000 and $200,000 for those aged 65 to 74.[49] A recent annual survey found that Americans think they will need to have accumulated $1.26 million by age 65 in order to retire comfortably.[50] Another concern for the growing numbers of individuals aged 65 and over is outliving their investments and/or having insufficient sources of other income.[51] As a result of these and other factors, there has been an increased consumer demand for individual and group annuities, which provide regular payouts over time. Sales of annuity products have been steadily increasing for the past several years and reached record levels in 2024.

Growth in annuities has helped lead to transformations in the life insurance sector to support that growth and increased demand. For example, life insurers have increased investments in private asset markets and have increasingly become owned by or formed partnerships with alternative asset managers in order to, among other things, improve life insurance investment yields to meet retirement savings obligations. In addition, federal legislation has also supported growth in individual annuity and other guaranteed income products.[52] Product innovations have led to the growth in sales of products such as RILAs and FIAs.[53] The transformation also has been reflected in the growth in pension risk transfer (PRT) activity, discussed in the section below.

Another trend supporting life insurers' ability to provide retirement savings obligations economically is the increased use of offshore reinsurers and sidecars to help grow their

[48] Porcelli *et al.*, *Best's Market Segment Report: Innovative Changes Ahead for US Life/Annuity in 2025 While Absorbing Prior Industry Shifts*, 2, 7.

[49] 2022 is the most recent data available. *See* "Survey of Consumer Finances (SCF)," Federal Reserve Board, https://www.federalreserve.gov/econres/scf/dataviz/scf/table/#series:Retirement_Accounts;demographic:agecl;population:all;units:median (presenting data from 1989-2022). The Survey of Consumer Finances is based on household financials and where the reference person in the household falls into the specified age range.

[50] "Planning & Progress Study 2025," Northwestern Mutual, https://news.northwesternmutual.com/planning-and-progress-study-2025.

[51] *See, e.g.*, LIMRA, "A Mixed Bag Likely for the U.S. Retail Annuity Market in 2025," news release, January 9, 2025, https://www.limra.com/en/newsroom/industry-trends/2025/a-mixed-bag-likely-for-the-u.s.-retail-annuity-market-in-2025/ (noting, inter alia, that the "U.S. population ages 65 and over is expected to grow by more than 7.5 million from 2023-2027").

[52] Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); The SECURE Act of 2022, Division T of the Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, 136 Stat. 4459 (2022).

[53] *See, e.g.*, LIMRA, "LIMRA: 2024 Retail Annuity Sales Grow 13% to a Record $434.1 Billion," news release, March 17, 2025, https://www.limra.com/en/newsroom/news-releases/2025/limra-2024-retail-annuity-sales-grow-12-to-a-record-$434.1-billion/ (noting RILA sales increased 36 percent in the fourth quarter, year-over-year, while FIA sales were 28 percent above the prior year's results).

business.[54] Offshore reinsurance and sidecars allow insurers to transfer a portion of their insurance risks, decreasing the amount of capital they must hold against their liabilities and enhancing underwriting capacity. Currently, the bulk of U.S. reserves ceded to offshore reinsurers go to reinsurers domiciled in Bermuda, with an increasing amount of reserves being ceded to Caymans Islands reinsurers.[55] Use of offshore reinsurance and sidecars may continue to grow as life insurers aim to improve capital efficiency, distribute earnings, and attract capital, allowing life insurers to increase offerings of guaranteed income products to support retirees.

Regulation and supervision of the life insurance sector has evolved in response to the trends noted above. Regulators are exploring enhancements to stress testing, investment and product disclosures, and analysis of collateral suitability to ensure reserves are adequate to support life insurers' obligations to retirees (see Section II.A.2.b.i). FIO will continue to engage with the NAIC, state regulators, the IAIS, and other domestic and international stakeholders on issues related to these trends in the life insurance sector.

Considerations for PRT activity—in which a defined-benefit plan divests some or all of its obligation to pay guaranteed retirement income and/or benefits to plan participants by shifting the obligations to insurers through the purchase of one or more annuities—rose to $51.8 billion of sales in 2024, which was a 14 percent increase over the approximately $46 billion of sales in 2023, and nearly matching the record level set in 2022.

Net ceded reinsurance for the L&H sector of $255 billion in 2024 was essentially flat compared to the $260 billion in 2023, still in large part driven by offshore reinsurance transactions.

Net premiums written, the sum of direct premiums written and net ceded reinsurance premiums, is a basic measure of the amount of risk retained by an insurer. Figure 8 shows net premiums written, considerations, and deposits over the past five years for the L&H sector, while Figure 9 shows the 2024 composition of net premiums, considerations, and deposits.

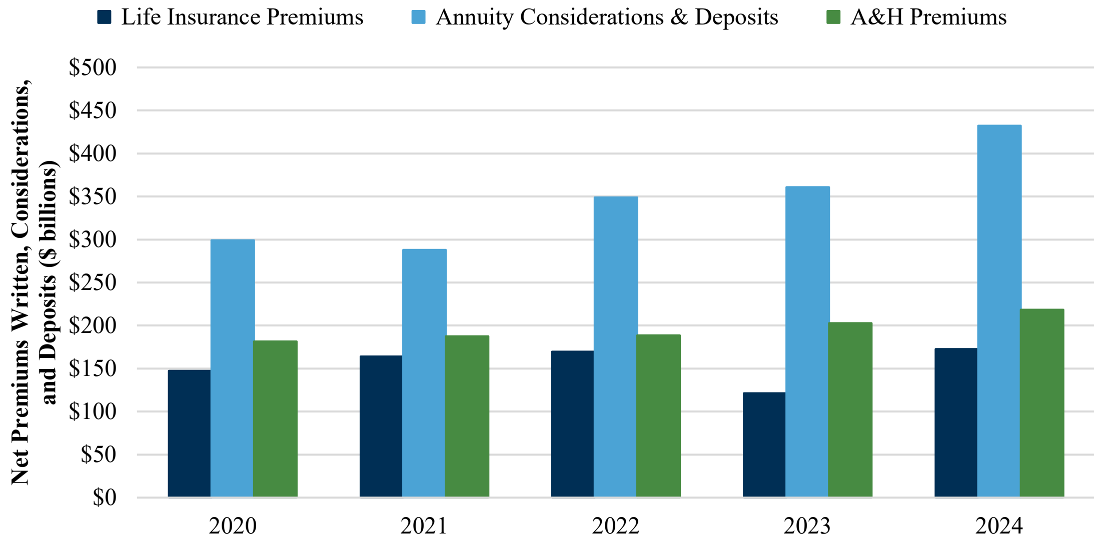
L&H sector net premiums written rose to $825 billion in 2024 as shown in Figure 8, marking a 20 percent increase from the $686 billion reported in 2023, despite net ceded reinsurance that was on par with the preceding year. Net premiums written have contributed on average 68 percent of total L&H sector revenues over the past five years, but constituted 71 percent of revenues in 2024, reversing a declining trend that began in 2020. Net annuity premiums and deposits increased by 20 percent, while life insurance premiums increased 42 percent, and A&H premiums increased nearly eight percent. Net life insurance premiums written in 2023 were significantly reduced by several large block reinsurance transactions by Lincoln Financial and MetLife. There were no similar large block reinsurance transactions in 2024.[56]

[54] Sidecars are limited partnerships or special purpose vehicles, often with finite durations, formed by insurers and third-party investors. For more on reinsurance sidecars, see Section II.B.3.

[55] *See, e.g.*, *Best's Special Report: Bermuda Remains the Largest Offshore Life/Annuity Reinsurance Domicile* (2025), available through https://www3.ambest.com/ambv/sales/bwpurchase.aspx?record_code=355045&altsrc=.

[56] Tim Zawacki, "Statutory Results to Show Significant Effects from Life Reinsurance Deals," *S&P Global Market Intelligence*, March 6, 2024, https://www.capitaliq.spglobal.com/apisv3/spg-webplatform-core/news/article?id=80708477&redirected=1.

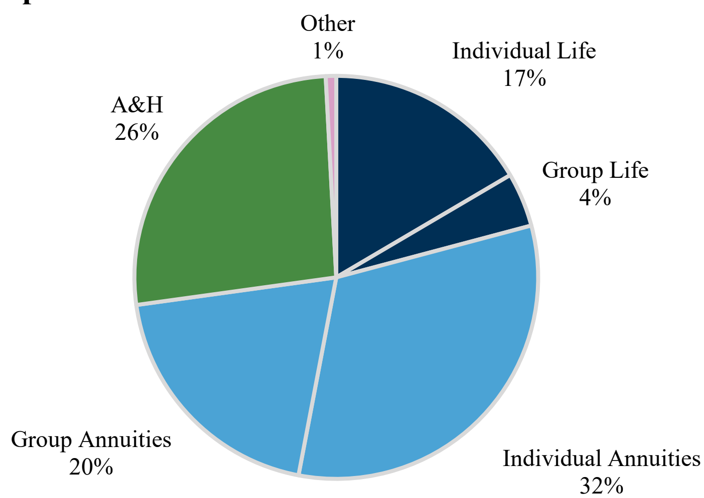
Figure 8: 2024 L&H Sector Net Premiums Written, Considerations, and Deposits



Source: S&P Global

For 2024, annuity premiums and deposits constituted 52 percent of total net premiums written, as shown in Figure 9. Sales of traditional life insurance products (i.e., individual life and group life) accounted for 21 percent of 2024 L&H sector net premiums written, while the remaining 27 percent was comprised almost entirely of A&H sector premiums.

Figure 9: 2024 Composition of L&H Sector Net Premiums and Annuity Considerations



Source: S&P Global

ii. Policyholder Contract Benefits, Surrenders, and Other Expenses

Policyholder contract benefits are claims or other obligations of L&H insurers under life insurance, annuity, and other insurance contracts and policies. Contract surrenders occur when a policyholder or contract holder elects to cancel a policy or contract before the end of the contractual term and thus receives its accumulated cash value (if any). Surrenders may or may not be accompanied by a fee. Contract benefit payments (i.e., Total Benefit Payments in Figure

10) and contract surrenders (i.e., Total Surrenders in Figure 10) comprise the majority of total expenses for L&H insurers in any given year. Other expenses include general administrative and overhead expenses, expenses incurred in acquiring business (particularly producer commissions and deferred acquisition costs associated with annuities), and expenses related to payments made under contractual provisions of policies, including loss verification and adjustment expenses. Figure 10 shows aggregate L&H sector benefit payments, surrenders, reserve increases, and all other expenses for recent years.

Figure 10: L&H Sector Expenses

	2020	2021	2022	2023	2024
Total Benefits Payments	318,033,943	343,364,997	326,420,755	347,673,737	374,497,061
Total Surrenders	327,921,729	367,482,764	353,038,354	416,237,299	484,214,202
Total Reserve Increases	110,347,308	89,304,603	131,653,102	67,903,487	106,911,014
Total Transfers. to Sep. Accts	(70,043,333)	(76,282,414)	(51,129,319)	(82,769,942)	(87,841,709)
Commissions	60,507,960	65,200,708	68,227,761	78,073,779	79,999,014
General & Administrative Expenses	68,352,741	71,082,576	72,214,445	77,586,123	79,115,834
Insurance Taxes, Licenses and Fees	11,503,722	10,127,707	10,453,886	10,889,236	11,858,465
Other Expenses	6,271,812	14,963,497	61,667,900	35,662,140	45,942,552
Total	**832,895,883**	**885,244,439**	**972,546,884**	**951,255,859**	**1,094,696,432**

Source: S&P Global

Total L&H sector expenses increased by 15 percent in 2024 to $1.1 trillion from $951 billion in 2023. Expenses attributable to total benefits payments increased by eight percent and those attributable to total contract surrenders increased by 16 percent. The increase in benefits payments were mainly the result of a sharp increase in A&H benefits. Key drivers of the increase in surrenders in 2024 were the rising long-term interest rate environment and consumer demand for better-performing (i.e., higher-yielding) products.[57] A significant 57 percent increase in Total Reserve Increases—which reflects, in part, that 2023 figures were depressed by large block reinsurance transactions noted above—also contributed to the increase in total expenses. Other expenses increased by 29 percent, following a significant drop in 2023.

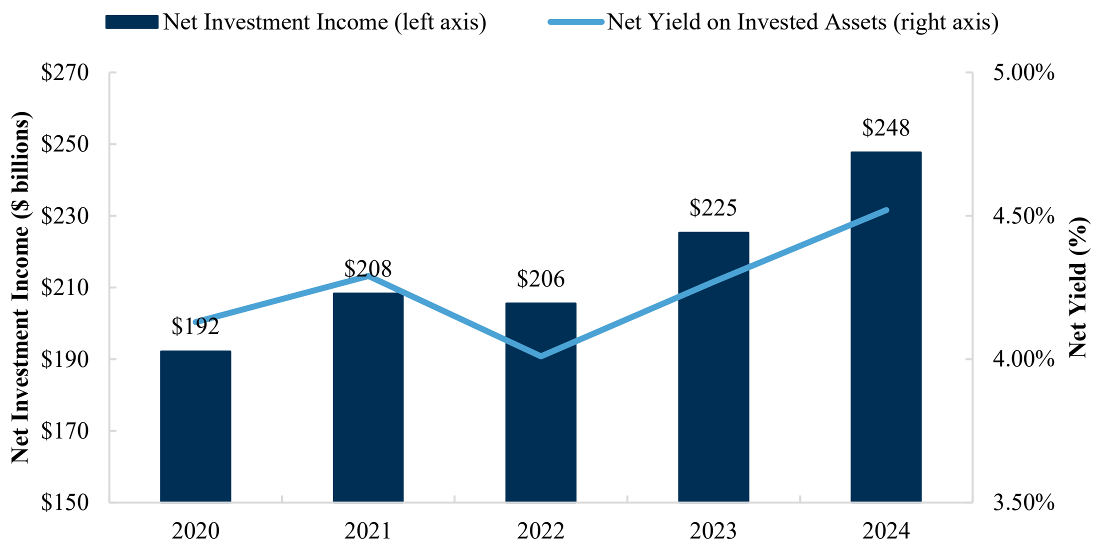
iii. Investment Income

Net investment income (gross investment income less investment and other related expenses) of $248 billion constituted about 21 percent of aggregate L&H sector revenues in 2024 and increased 10 percent from 2023 levels. Yields on new fixed income investments benefited from higher interest rates that prevailed for much of the year across the yield curve. All asset classes experienced an increase in investment income earned, with the largest contributions coming from industrial and miscellaneous bonds, mortgage loans, and cash and short-term investments. Figure 11 shows L&H sector net investment income from invested assets (excluding net realized

[57] *See, e.g.*, Porcelli *et al.*, *Best's Market Segment Report: Innovative Changes Ahead for US Life/Annuity in 2025 While Absorbing Prior Industry Shifts*, 8.

gains and losses) and the net investment yield for recent years. The net yield on invested assets for 2024 increased to 4.52 percent from 4.27 percent in 2023. This was the highest level of net investment yield since 2019. The increase in net yield was primarily the result of the 10 percent increase in net investment income, coupled with a lower, five percent increase in total cash and invested assets.

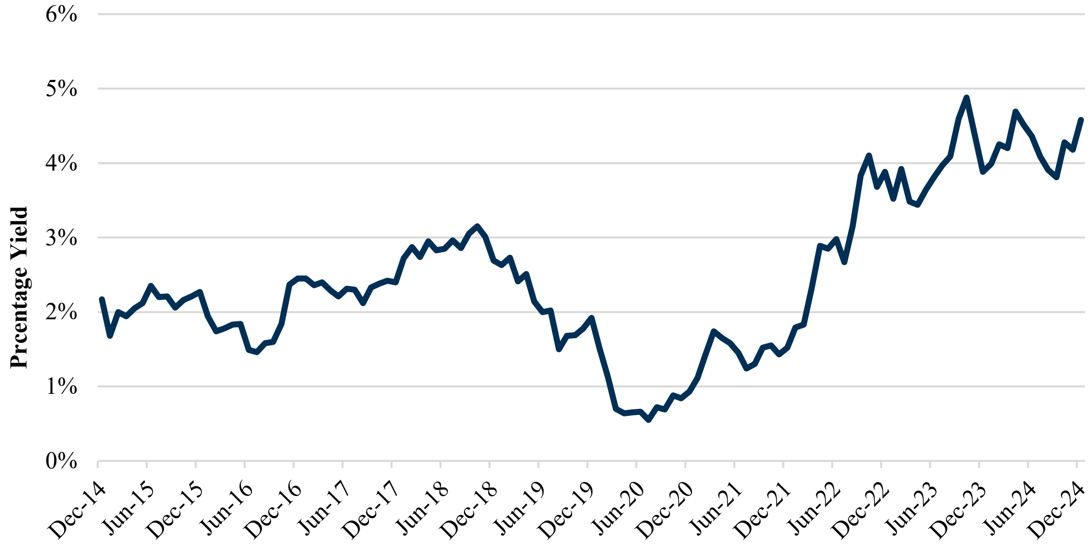
Figure 11: L&H Sector Annual Net Investment Income and Net Yield on Invested Assets



Source: S&P Global

The interest rate environment in 2024 continued to allow insurers to both invest new money and reinvest proceeds from maturities and sales at generally higher yields compared to much of their existing fixed income portfolio. Longer term interest rates on 10-year Treasury notes ended 70 basis points higher at the end of 2024 than the level at the beginning of the year (see Figure 12). At the end of 2024, the rate on 10-year U.S. Treasury bonds stood at 4.58 percent, compared to 3.88 percent at the end of 2023. The U.S. Treasury yield curve was inverted at the beginning of 2024 and remained so over most of the year, but normalized in December as yields on longer-dated maturities rose substantially.

Figure 12: Percentage Yield on 10-Year Treasury Notes



Source: S&P Global

iv. Net Income and Return on Equity

Figure 13 presents a summary income statement for the L&H sector. Total revenues in the L&H sector of $1.17 trillion in 2024 marked an increase of 12 percent from the $1.04 trillion reported in 2023. Solid gains in net premiums written and net investment income drove the increase in revenue in 2024 but were slightly offset by a $36.5 billion negative swing in the reinsurance allowance.[58] Total expenses increased by 15 percent to $1.09 billion, leading to a 29 percent decrease in pre-tax operating income. In 2024, net income dropped by 15 percent, to $32.6 billion, largely because of a decrease in federal income taxes and significantly lower net realized capital losses.

In terms of losses, the L&H sector net realized capital losses decreased by 58 percent to $6.4 billion in 2024 from $15.4 billion in 2023 (see Figure 13). This followed a 44 percent increase in net realized capital losses experienced in 2023 compared to 2022. The improvement in 2024 appears to be caused to some extent by lower realized losses on fixed income securities and derivatives (almost exclusively used for hedging transactions), and higher realized gains on common stocks. Losses on fixed income securities may have been generated by sales of lower-yielding securities, with the proceeds reinvested in higher-yielding securities to improve overall book yield. The NAIC's temporary guidance on interest maintenance reserve may have continued to serve as a catalyst for insurers to engage in opportunistic rate-related trading activity.[59]

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[58] The "reinsurance allowance" is an amount paid to the ceding insurer to help defray its policy acquisition and other costs.

[59] *See, e.g.*, Tim Zawacki & Jason Woleben, "Implications of Temporary IMR Guidance on the Life Industry Investment Strategy, *S&P Capital IQ*, April 16, 2024, https://www.capitaliq.spglobal.com/apisv3/spg-webplatform-core/news/article?id=80992914&redirected=1.

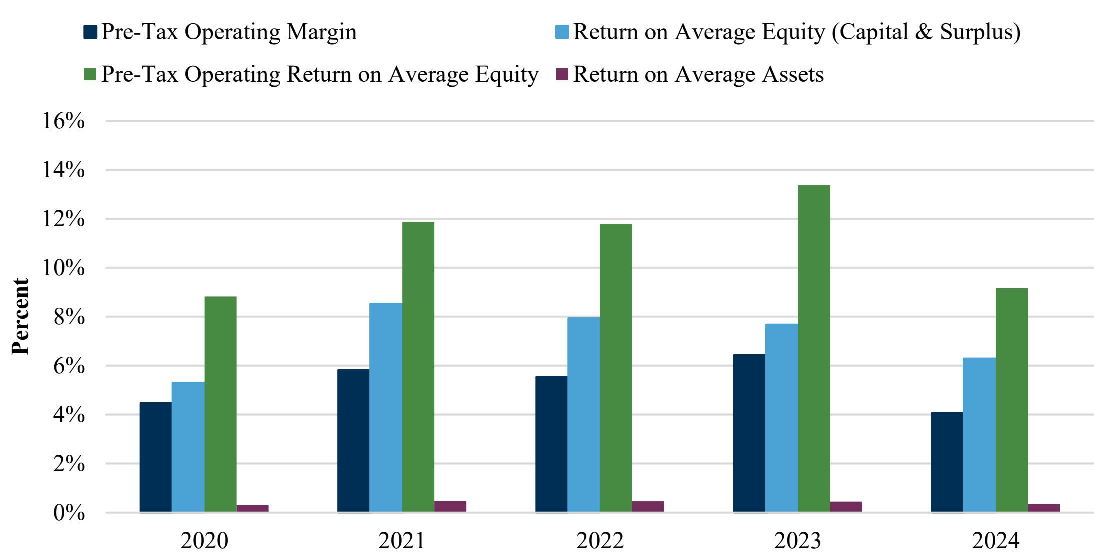
Figure 13: L&H Sector Net Income ($ thousands)

	2020	2021	2022	2023	2024
Premiums, Considerations, & Deposits	631,572,601	643,311,184	710,254,408	685,808,377	824,548,040
Net Investment Income	192,182,660	208,294,544	205,538,108	225,254,624	247,663,763
Reinsurance Allowance	(22,847,428)	8,388,598	38,218,066	28,590,385	(7,941,554)
Separate Accounts Revenue	38,087,213	41,833,625	39,153,433	38,092,298	36,269,340
Other Income	52,355,698	57,633,043	58,053,833	63,342,860	66,035,897
Total Revenue	**891,350,744**	**959,460,994**	**1,051,217,848**	**1,041,088,544**	**1,166,575,486**
Total Expenses	832,895,883	885,244,439	972,546,884	951,255,859	1,094,696,432
Policyholder Dividends	18,608,320	18,350,177	20,343,810	22,838,502	24,444,911
Net Gain from Operations before FIT	39,846,541	55,866,377	58,327,154	66,994,183	47,434,143
Federal Income Tax	5,239,816	8,152,676	8,414,777	13,149,041	8,458,149
Net Income before Cap Gains	34,606,724	47,713,702	49,912,377	53,845,142	38,975,995
Net Realized Capital Gains (Losses)	(10,678,766)	(7,634,241)	(10,640,485)	(15,368,296)	(6,414,507)
Net Income	**23,927,959**	**40,079,461**	**39,271,892**	**38,476,845**	**32,561,487**

Source: S&P Global

Figure 14 shows key operating ratios for the L&H sector. The L&H sector's 2024 pre-tax operating margin dropped to 4.1 percent from 6.4 percent in 2023. The decrease in operating income, coupled with slower growth in equity (discussed below), led to a decrease in the sector's pre-tax operating return on average equity to 9.2 percent, compared to the 13.4 percent recorded in 2023. The return on average equity decreased to 6.3 percent in 2024 from 7.7 percent in 2023. The return on average assets likewise dropped to 0.36 percent in 2024 from 0.45 percent in 2023. The overall decrease in operating performance metrics can be largely traced to the significant increases in policy/contract surrenders and additions to reserves.

Figure 14: L&H Sector Operating Ratios



Source: S&P Global

b) Financial Condition

This section presents information on the 2024 financial condition of the L&H sector, providing insight into the sector's financial safety and soundness by highlighting certain financial indicators and trends in recent years and their related implications.[60]

i. Capital and Surplus

Though the bond market exhibited periods of volatility in 2024, favorable equity markets and the continued admissibility of negative interest maintenance reserves contributed to growth in capital and surplus for the L&H sector, which rose to a total of $523.3 billion in 2024. Additionally, the inflation rate in 2024 continued to remain above the Federal Reserve's two percent target. The percentage-point reduction in the interest rate during the year resulted in the Federal Reserve's benchmark rate being in the 4.25 to 4.50 percent target range since December 2024. Because insurers expected that interest rates would remain elevated (compared to the decade of low interest rates that followed the 2008 financial crisis), they continued to adjust their businesses in 2024 to a "higher for longer" rate environment. Examples of adjustment trends include reassessing hedging strategies, adjusting product pricing, managing unrealized losses, and moving investment portfolios to higher-yielding assets.

Surplus Performance and Drivers

L&H capital and surplus grew just over two percent in 2024 due in part to continued gains from underwriting. Year-over-year growth was further impacted by a decrease in net realized capital losses together with an increase in net unrealized capital losses. Recent capital levels achieved by the L&H sector are detailed in Figure 15.

Figure 15: L&H Capital and Surplus Position ($ thousands)

	2020	2021	2022	2023	2024
Capital & Surplus	$ 460,385,040	$ 499,738,583	$ 489,509,436	$ 512,664,484	$ 523,286,690
Year-Over-Year Growth	3.9%	8.5%	-2.0%	4.7%	2.1%
General Account Assets	$5,070,895,918	$5,324,605,447	$5,506,228,802	$5,712,084,419	$5,992,386,307
Year-Over-Year Growth	7.1%	5.0%	3.4%	3.7%	4.9%
Separate Account Assets	$3,084,831,564	$3,348,163,286	$2,769,010,332	$3,031,958,914	$3,252,995,604
Year-Over-Year Growth	8.9%	8.5%	-17.3%	9.5%	7.3%

Source: S&P Global

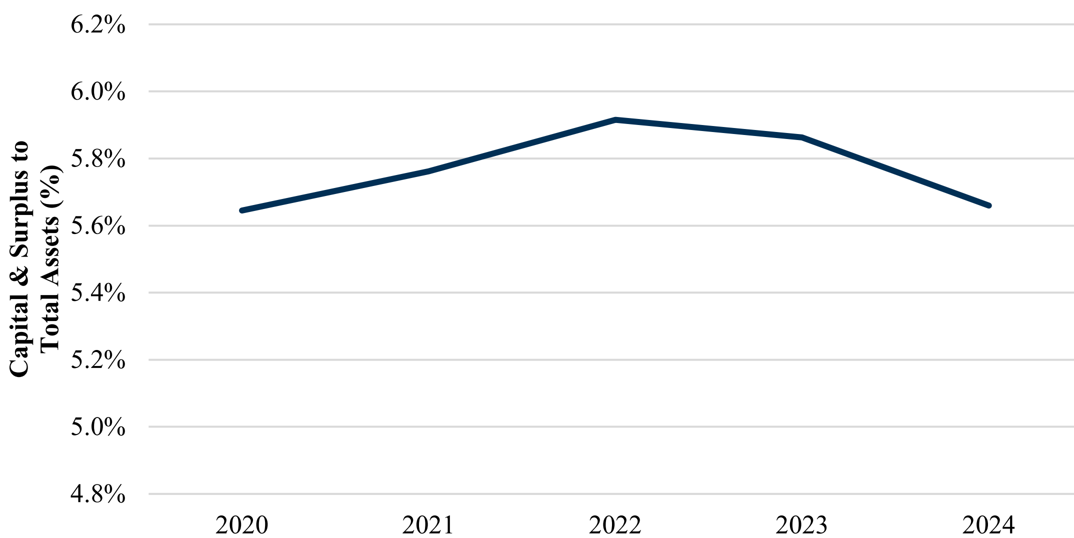
Premium earned from record fixed annuity sales in 2024 mainly drove the near five percent annual growth in general account assets. Growth in separate account assets generally

[60] As discussed in footnote 36, while pre-2023 FIO annual reports contained 10-year analyses of the L&H sector, the timeframe under analysis since then only extends back to 2019 due to a reporting change. The data under analysis is from S&P Global as of June 26, 2025. Throughout this section, references to "year-end" refer to December 31 of the referenced year.

fluctuates from year to year, as performance is based on targeted investment strategies, and in 2024 reflected strong stock market performance.[61]

The ratio of capital and surplus to total assets (i.e., general and separate account assets combined) is an indicator of the L&H sector's capacity to withstand adverse investment and mortality experience. Though record sales volumes underpinned asset growth, they also contributed to shrinking the sector's capital cushion in 2024. Figure 16 shows that this ratio was 5.66 percent at year-end 2024 compared to 5.86 percent at year-end 2023.[62] While the recent dip in the ratio can suggest a reduced capacity for the sector to absorb unexpected losses, the trend could also suggest a potential return to ratios more aligned with 2020 and 2021 ratios. Nevertheless, the decline merits continued monitoring.

Figure 16: Strength of L&H Capital & Surplus



Source: S&P Global

Capital infusions, such as surplus notes, are another contributing factor to aggregate capital and surplus. The L&H sector issued surplus notes of $51.7 billion in 2024, compared to $51.3 billion in 2023, offering the highest amount since 2019. While marking a peak in issuance levels relative to the previous five years, annual growth continued to decelerate, slowing to 0.7 percent in 2024 from 3.3 percent and 3.9 percent in 2023 and 2022, respectively. The slowdown can be attributed to elevated interest rates that have raised the cost of funding. By comparison, when interest rates were at historical lows in 2020 and 2021, annual issuance levels showed double-digit growth: 14.5 percent and 11.9 percent in 2020 and 2021, respectively.[63] Despite the recent

[61] A separate account is a segregated set of financial statements held by a life insurer, maintained to report assets and liabilities for specific products that are separated from the insurer's general account.

[62] The higher ratio in 2022 was caused by the greater year-over-year decrease in total assets relative to that in capital and surplus.

[63] The federal funds rate declined to 0.05 percent in April 2020 and remained close to zero for the remainder of the year through 2021. "Federal Funds Effective Rate (DFF)," Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/DFF.

slowdown, annual growth in surplus notes and other debt capital continued to be material, averaging at a rate of 6.9 percent since 2019.[64] By contrast, growth of organic or non-debt capital has only averaged 3.1 percent for that same period. Because of their relative share of capital and surplus, surplus notes do not substantially change the pro forma growth of capital and surplus with their removal, suggesting that the L&H sector in the aggregate is able to generate capital from its core operations without reliance on external capital.[65] Surplus notes accounted for 9.9 percent of aggregate capital and surplus at year-end 2024, compared to 10.0 percent at year-end 2023.

The L&H sector has consistently been reporting net operating gains (pre-tax income from operations before capital gains and losses) that have boosted capital and surplus. Relative to 2023, however, pre-tax operating income was over 29 percent lower in 2024, which can largely be attributed to heightened surrender activity and reserve strengthening, as discussed in Section II.A.2.a.iv. Nonetheless, net income (before capital gains and losses) contributed almost eight percent to the growth of capital and surplus from the previous year end, compared to about 11 percent in 2023.

As in 2023, insurers continued to take advantage of the higher rate environment in 2024 by engaging in sales of security holdings with lower book yields and reinvesting those proceeds to improve their investment returns. Sales of derivative instruments, mortgage loans, and unaffiliated bonds primarily led to net realized capital losses of $5.8 billion in 2024 compared to $15.4 billion in 2023.[66] The impact to surplus of realized capital losses was mitigated by the ability of life insurers to defer a certain amount of realized losses to their interest maintenance reserve accounts.[67]

In addition to realized capital losses, surplus was further impacted by an increase in net unrealized capital losses of $4.9 billion in 2024, reflecting the effects of higher interest rates on the sector's bond portfolio. Ongoing pressures in certain parts of the commercial real estate market (CRE) due to shifting workplace trends continued to have implications for life insurers. Because commercial mortgage loan cash flows align with long-dated liabilities and produce attractive yields, life insurers generally have significant exposures to commercial mortgage loans, both through direct lending and through investments in commercial mortgage-backed securities (CMBS). Rising interest rates strained market liquidity and heightened refinancing and default risks, which affected property valuations particularly for the office segment.

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[64] Though treated as equity under state insurance regulations, surplus notes are debt-like instruments that are subordinated to policyholder obligations and other current and future borrowings.

[65] In 2024, the pro forma growth rate of capital and surplus would result in a difference of 30 basis points.

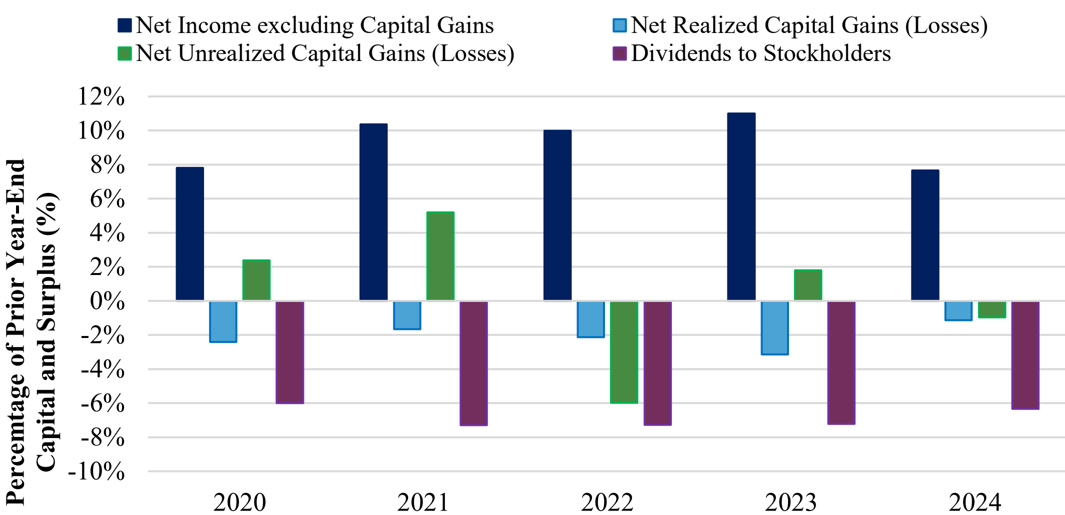
[66] NAIC, *U.S. Life and A&H Industry Analysis Report* (2025), https://content.naic.org/sites/default/files/2024-annual-life-industry-commentary.pdf.

[67] The NAIC adopted temporary guidance at its 2023 Summer National Meeting, allowing insurers with a high enough risk-based capital ratio (above 300 percent of authorized control level) to admit a portion of their negative Interest Maintenance Reserve balances. The admitted amount is capped at 10 percent of the insurer's adjusted general account capital and surplus. *See* Hailey Ross & Jason Woleben, "US Life Insurers' Interest Maintenance Reserve Falls to Lowest Point Since 2011," *S&P Global Market Intelligence*, September 18, 2023, https://www.spglobal.com/market-intelligence/en/news-insights/articles/2023/9/us-life-insurers-interest-maintenance-reserve-falls-to-lowest-point-since-2011-77495353.

According to Fitch, unrealized losses as a percentage of all commercial mortgages more than doubled in 2024 to 0.47 percent from 0.23 percent in 2023 for its universe of rated insurers.[68] CMBS, however, only accounted for 3.5 percent of the L&H investment portfolio at year-end 2024, down from 3.7 percent at year-end 2023 and 3.9 percent at year-end 2022, and continued to exhibit the highest credit quality.

Stockholder dividends are another element of the sector's capital position, and these have the effect of partially offsetting potential growth.[69] In 2024, stockholder dividends were $32.5 billion compared to $35.3 billion in 2023. To ensure that insurers' assets adequately protect policyholders, all dividends issued by insurers are subject to review by state insurance regulators, and insurers must seek regulatory approval prior to distributing extraordinary dividends. Overall, stockholder dividends have reduced capital and surplus by almost 7.0 percent on average annually since 2020. By contrast, net income before capital gains and losses have increased capital and surplus by 9.4 percent on average over the same period. Figure 17 presents the key drivers of capital and surplus for the L&H sector in the five years through 2024.

Figure 17: Leading Determinants of Capital and Surplus for the L&H Sector



Source: S&P Global

Figure 18 shows that in the aggregate, statutory capital and surplus in 2024 for the L&H sector was 4.32 times the level of minimum required regulatory capital, compared to 4.47 and 4.31 times the required levels in 2023 and 2022, respectively.

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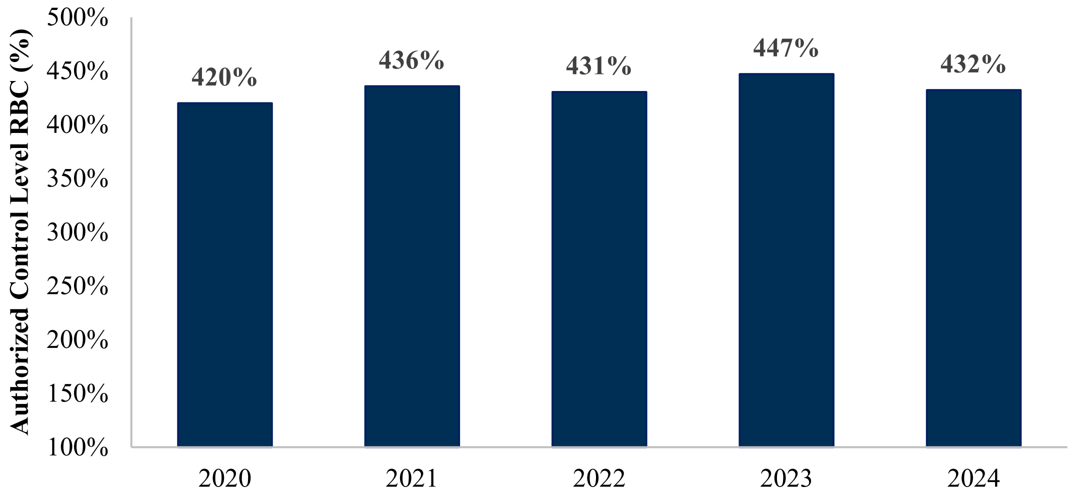
[68] Fitch Ratings, "U.S. Life Insurers' Exposure Limited to Rising Commercial Real Estate Losses," news release, May 16, 2025, https://www.fitchratings.com/research/insurance/us-life-insurers-exposure-limited-to-rising-commercial-real-estate-losses-16-05-2025.

[69] Stockholder dividends refer to the dividends paid by insurers.

Figure 18: Risk-Based Capital Ratios for the L&H Sector



Source: S&P Global

RBC Developments

In 2024, the NAIC continued to enhance the risk-based capital (RBC) framework that applies to insurers, including a review of the RBC formula itself and the underlying correlation assumptions, potentially leading to broader changes than just specific asset class updates. Additionally, work is underway to align the RBC framework with evolving investment strategies, as insurer investment portfolios increasingly include greater allocations to private, structured, and complex assets.

The NAIC's RBC Investment Risk and Evaluation Working Group (RBC IRE Working Group) continued its work to develop an RBC framework for asset-backed securities, starting with Collateralized Loan Obligations (CLOs).[70] The RBC IRE Working Group began developing a comprehensive proposal for RBC factors for investments in various fund structures, aiming for consistent treatment and qualifying certain funds for NAIC designations and bond RBC factors. Additionally, the RBC IRE Working Group continued the comprehensive review of the RBC investment framework for all business types, including the impact of potential changes and the resources needed for formula modifications.

Adopted in 2023 by the NAIC, a principles-based approach for bond classification became effective on January 1, 2025. Shifting from a prescriptive model to one that relies more on the insurer's judgment regarding the substance of the instruments, the guidance aims to provide a

[70] *See, e.g.*, "Risk-Based Capital Investment Risk and Evaluation (E) Working Group," NAIC, https://content.naic.org/committees/e/risk-based-capital-investment-risk-evaluation-wg; "C1 Subcommittee," American Academy of Actuaries, https://actuary.org/academy_committee/c1-subcommittee/; Steven Smith, Chairperson, Academy C-1 Subcommittee, "CLO C-1 Update to Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBCIRE)" (presentation, NAIC, March 24, 2025), https://actuary.org/wp-content/uploads/2025/05/Life-Presentation-CLORBCUpdate3.24.pdf (analyzing CLOs to identify risk differentiating attributes).

more accurate view of bond holdings and their associated risks, potentially impacting asset classification and RBC charges.[71]

Finally, the NAIC's Capital Adequacy Task Force implemented a 45 percent RBC factor for residual tranches for life insurers starting in 2024, and it proposed a similar increase for P&C and health insurers.[72]

Leverage Levels

Balance sheet strains surfaced in 2024 as the leverage metrics under analysis increased from 2023 levels. Leverage measures the degree to which an insurer's surplus is exposed to risks from underwriting and investment activities and presents another indicator of relative surplus strength for the L&H sector. Leverage ratio trends can be indicative of an insurer's ability to successfully navigate through market pressures. The greater financial flexibility illustrated by steady (or declining) leverage ratios, for example, can better enable insurers to fulfill policyholder obligations by (1) returning a profit by investing the premiums received from underwriting activities; and (2) limiting the risk exposure from the policies underwritten. Insurers also employ reinsurance to move some of the risks off their own balance sheets and on to those of reinsurers (thereby improving, i.e., decreasing) leverage.

Figure 19 provides a view of the L&H sector's general account leverage for the last five years. As it demonstrates, the net leverage and asset leverage ratios displayed upswings from 2023, despite surplus growth, and reached high points over the period under analysis. The third metric, total reserves and deposits, remained relatively stable.

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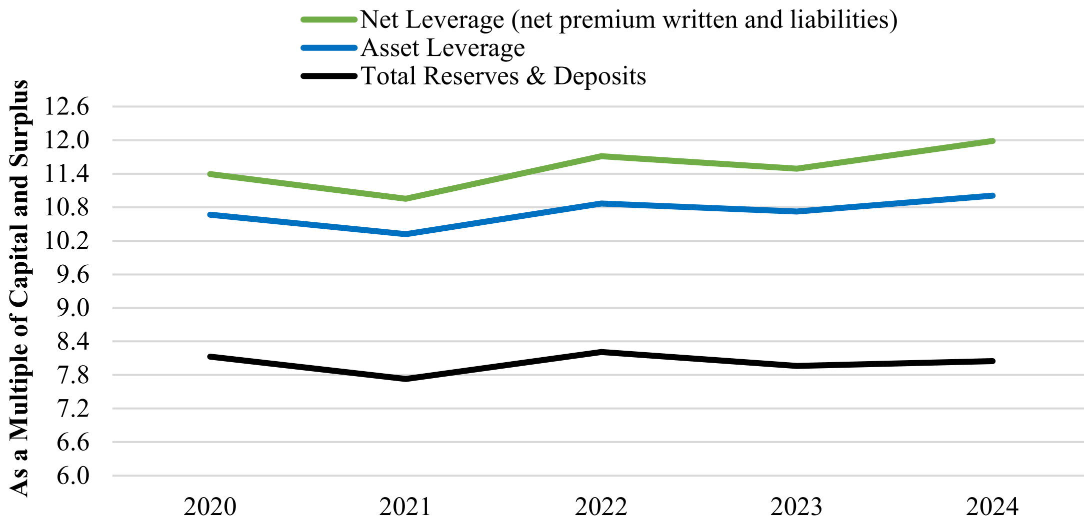
[71] *See, e.g.*, NAIC, *Statutory Issue Paper No. 169: Principles-Based Bond Definition* (August 13, 2024), https://content.naic.org/sites/default/files/inline-files/Bond%20IP%20-%20Updated%209-12-24.pdf; NAIC, "*Principles-Based Bond Definition Implementation Questions and Answers*," (August 7, 2024), https://content.naic.org/sites/default/files/national_meeting/11%20-%20QA%20Doc%20-%20as%208-7-24.pdf.

[72] *See* Capital Adequacy Task Force, *RBC Proposal Form No. 2023-09-IRE*, https://content.naic.org/sites/default/files/inline-files/2023-09-IRE%20webpost_0.pdf (adopting proposal for .45 base RBC factor in the life RBC formula for residual tranches effective in 2024); Capital Adequacy Task Force, *RBC Proposal Form No. 2024-02-CA*, https://content.naic.org/sites/default/files/inline-files/2024-02-CA%20Residual%20Structure%20PC%20%26%20Health%20%282024%29%20Final.pdf). For more on the work of this task force, see "Capital Adequacy (E) Task Force," NAIC, https://content.naic.org/committees/e/capital-adequacy-tf.

Figure 19: L&H Sector Leverage Ratios



Source: S&P Global

The net leverage ratio is an indicator of the sector's exposure to pricing and estimation errors, determined by calculating total liabilities and net premiums, annuities, and considerations as a multiple of capital and surplus. In 2024, premium volume (led by record annuity sales), accompanied by growth in liabilities during the year, accounted for the increase in the net leverage ratio. Net premiums, annuities, and deposits totaled $797.4 billion in 2024, a 16.3 percent jump from $685.8 billion in 2023. Significant premium growth was compounded by year-over-year growth in general account liabilities of 5.2 percent, building on 3.6 percent annual growth in 2023. General account liabilities totaled $5.5 trillion in 2024, compared to $5.2 trillion and $5.0 trillion in 2023 and 2022, respectively. As a result, the net leverage ratio amounted to 12.0 in 2024, rising from 11.5 in 2023 and 11.7 in 2022, and suggests an increased reliance on reserve funds and potential pressures on the L&H sector's ability to absorb losses from claims and estimated future liabilities.

Strong sales of individual annuities and several PRT transactions in the group annuity business drove L&H premium volumes in 2024. Total annuity sales rose by 12 percent annually to $432.4 billion in 2024, as higher interest rates, favorable equity markets, and an aging population contributed to a new sales record. Athene Annuity & Life led the market with $36 billion in individual annuity sales, followed by Corebridge Financial with $26.6 billion. As interest rates began to ease in 2024, consumers shifted their product demand. Strong demand for RILAs and FIAs emerged in 2024, as the market pivoted from fixed-rate deferred and income annuities. RILA sales totaled $65.2 billion in 2024, 37 percent higher than in 2023 and the 11th consecutive record-setting year for RILA sales, while FIA sales were $125.5 billion, a year-over-year growth of 31 percent.[73] The considerable level of PRT activity has also impacted the net leverage ratio. Total U.S. single-premium PRT premium, as noted in Section II.A.2.a.i, was

[73] LIMRA, "LIMRA: 2024 Retain Annuity Sales Power to a Record $432.4 Billion," news release, January 28, 2025, https://www.limra.com/en/newsroom/news-releases/2025/limra-2024-retail-annuity-sales-power-to-a-record-$432.4-billion/.

$51.8 billion in 2024, 14 percent higher than in 2023 but slightly less that the record setting amount of almost $52 billion in 2022.[74]

The net leverage ratio also considers the sector's reinsurance levels because reinsurance has the effect of improving surplus through surplus relief.[75] In 2024, surplus relief was $37.9 billion, growing by over 30 percent from $29.1 billion in 2023. The sector's surplus relief level rose to 7.24 percent at year-end 2024—a high for the last six years—compared to 5.68 percent at year-end 2023 and 5.27 percent at year-end 2019. Given the reinsurance activity, the higher surplus relief reported in 2024 appears largely related to new business written during the year. A reduction in the share of gross premiums ceded to reinsurers, combined with an over 11 percent increase in direct premium written, resulted in a higher net retention rate of 65.2 percent in 2024 compared to 61.3 percent in 2023. Ceded premiums were $425.2 billion and $430.1 billion in 2024 and 2023, respectively, while direct business totaled $1.0 trillion and $941.7 billion for the same periods. Reversing a contraction in 2023, assumed premium grew by 1.2 percent to $173.1 billion in 2024 but resulted in a lower ratio of assumed to gross premium of 14.2 percent. In 2023, a 9.6 percent annual decline in assumed premium resulted in a ratio of assumed to gross premium of 15.4 percent at year-end 2023.

Next, the asset leverage ratio aims to measure the potential impact on the balance sheet arising from the volatility and credit quality of the sector's investment portfolio, reinsurance recoverables, and agents' balances. The ratio is calculated as the sum of cash and invested assets plus reinsurance recoverables and agents' balances to capital and surplus. The higher the ratio, the more vulnerable the sector's capital is to market volatility and asset impairments. At year-end 2024, the L&H sector's asset leverage ratio of 11.01, a 28 basis-point increase from the prior year-end, was attributable to stronger growth in the sector's investment holdings compared to that of surplus. The L&H sector expanded its portfolio of cash and invested assets from the prior year by 5.0 percent, more than 2.4 times annual surplus growth of 2.1 percent, resulting in a high point for the asset leverage ratio in 2024 in comparison to the six previous years under analysis.

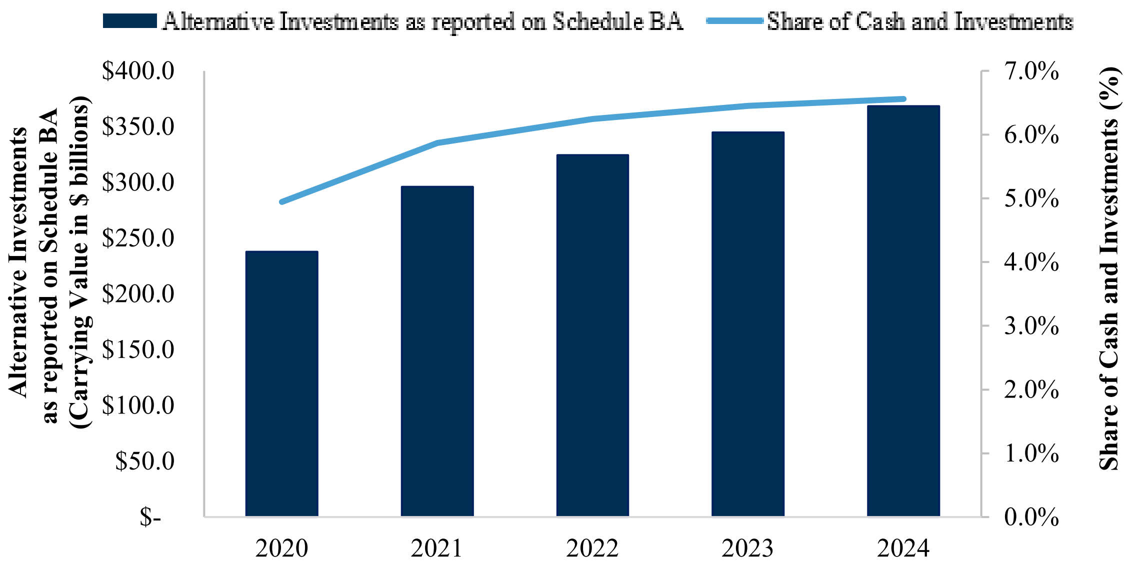
The asset leverage ratio remained elevated in 2024, as exposures to alternative assets reported on Schedule BA and mortgage loans continue to widen relative to other asset holdings. As Figure 20 shows, the L&H sector's holdings of alternative investments have been on the rise: they totaled $368.4 billion at year-end 2024, up from $344.9 billion at year-end 2023, and constituted 1.5 times the value of these holdings at year-end 2020. Alternative investments thus continued to take an ever-greater share of the sector's aggregate investment portfolio. However, their rate of growth noticeably declined in the last three years. While annual growth in 2020 and 2021 was marked by double digits, the pace of alternative investments slowed to 9.6 percent, 6.3 percent, and 6.8 percent in 2022, 2023, and 2024, respectively. The slowed growth may reflect that, although L&H insurers continued to seek to maximize returns from alternative asset holdings, they were presented with an opportunity to rebalance their investment portfolio when interest

[74] The relatively higher premium volume in 2022 was mainly due to a single $16 billion buyout deal, involving IBM, Prudential Insurance Co. of America, and Metropolitan Life Insurance Company.

[75] The use of reinsurance for surplus relief is most common when an insurer begins to rapidly expand its volume of premiums written. "Surplus relief" refers to the amount of surplus not yet reported as income from commissions and expense allowances on reinsurance ceded during the current year. It captures the amounts related to A&H business as well as life and annuity business for general and separate accounts.

rates began to rise in 2022. Nevertheless, the ongoing desire for improved rates of return continued to motivate insurers to shift their investment portfolios away from traditional holdings in favor of higher yielding but less liquid investments. The trend in investment exposure and surplus exposure—with potentially heightened insurers' exposure to certain risks that can stem from a downward spiral in asset prices, increased issuer leverage, rising defaults, and funding risks—continues to be monitored by FIO.

Figure 20: Growth of L&H Sector Holdings of Alternative Investments



Source: S&P Global

Last, turning to total policy reserves and deposit-type contract reserves, year-over-year growth averaged 3.2 percent between year-end 2019 and year-end 2024. Total policy reserves and deposit-type contract reserves were $4.2 trillion and $4.1 trillion at year-end 2024 and 2023, respectively. The multiple of policy reserves and deposits to capital and surplus was 8.05 at year-end 2024, up from 7.96 at year-end 2023 but within the range observed for the last six years and suggesting that the financial resources set aside by the sector were largely in line with expected claims commitments.

For further consideration, the leverage ratios under analysis may not be capturing the implications of the increasing use of offshore reinsurance by life insurers. Ceded reserves by U.S. life insurers have almost doubled, rising to $1.3 trillion in 2023 from $710 billion since 2019. Over that same period, reserves ceded to offshore jurisdictions nearly quadrupled, exceeding $450 billion.[76] Market commenters have noted the recent shift of business to certain jurisdictions such as Bermuda, Barbados, the Cayman Islands, and other offshore jurisdictions may be heightening certain risks for the life sector.[77] To support business growth and

[76] FitchRatings, "US Life Insurers' Offshore Reinsurance, Sidecar Growth to Continue," February 27, 2025, https://www.fitchratings.com/research/insurance/us-life-insurers-offshore-reinsurance-sidecar-growth-to-continue-27-02-2025.

[77] *See, e.g.*, "US Life Insurers Head Offshore as Private Credit Transforms Industry," Moody's, June 2, 2025, https://www.moodys.com/web/en/us/insights/data-stories/private-credit-transforms-life-insurance-industry.html.

competitive pricing, insurers have continued to engage in such offshoring activities to optimize capital, access increased scale and new business volumes, and enhance cash flow management and tax planning. The NAIC and state regulators are continuing to enhance the oversight of offshore reinsurance transactions to safeguard U.S. policyholder interests. Initiatives in progress include increasing disclosure requirements for insurers engaged in offshore reinsurance; implementing asset adequacy testing of assets ceded offshore; and improving the governance and transparency of offshore reinsurance transactions to mitigate potential risks. (See Section II.A.2.b.i (RBC Developments)).

ii. Assets

Rising by nearly six percent year-over-year, L&H assets totaled $9.2 trillion at year-end 2024, reflecting a key strength of the sector's capital position. As in 2023, higher interest rates in 2024 presented life insurers with opportunities to optimize their long-duration investment strategies. To manage periods of market volatility as well as to hedge against persistent inflation in 2024, the L&H sector continued to diversify across asset classes, including by increasing its exposures to alternative and other non-traditional assets.

Steady growth of general account assets has resulted in an average annual growth rate of 4.8 percent in the last five years. Given the structure of general account assets, shown in Figure 21, general account assets growth has closely mirrored that of investment holdings, with the latter expanding at an annual rate of 4.6 percent on average. Growth in the sector's investment portfolio during 2024 was largely driven by increased holdings of mortgage loans, residential mortgage-backed securities (RMBS) and other loan-backed structured securities (e.g., CLOs), and other invested assets.[78] General account assets grew to $6.0 trillion in 2024 from $5.7 trillion in 2023, a 4.9 percent year-over-year increase, while cash and investments totaled $5.6 trillion and $5.3 trillion for the same periods, respectively. Reaching a high of 7.1 percent in 2020, L&H cash and invested assets exhibited slowing growth in the following three consecutive years before reversing pace in 2024, when a five percent year-over-year growth rate was achieved. Cash and invested assets grew by 2.9 percent, 3.0 percent, and 4.9 percent in 2023, 2022, and 2021, respectively.

After declining by over 17 percent from 2021 to 2022,[79] separate account assets grew by 9.5 percent in 2023 and 7.3 percent in 2024 and were $3.3 trillion at year-end 2024. Despite the considerable decline in 2022, separate account assets have been expanding by 3.4 percent on average over the last five years.

General account assets have averaged nearly 64 percent of the total asset portfolio on a yearly basis over the last five years, while separate account assets have averaged 36 percent. Figure 21 shows the composition of the L&H sector's asset portfolio and distribution of cash and investments since 2020, demonstrating the gradual shift away from traditional L&H investments

[78] "Other invested assets" largely captures other long-term and alternative investments reported in Schedule BA of the statutory financial statement.

[79] Significant uncertainty and market volatility were present in 2022, as inflationary pressures expanded and the Federal Reserve embarked on an aggressive path of monetary tightening.

towards other (higher yielding and often more complex) asset classes like CLOs and other structured securities.

Figure 21: Composition of L&H Sector Asset and Investment Portfolio

	2020	2021	2022	2023	2024
General Account Assets / Total Assets	62.2%	61.4%	66.5%	65.3%	64.8%
Separate Account Assets / Total Assets	37.8%	38.6%	33.5%	34.7%	35.2%
Bonds (long-term)	70.4%	70.0%	69.6%	68.1%	67.4%
Preferred Stocks	0.3%	0.4%	0.3%	0.3%	0.3%
Common Stocks	2.3%	2.4%	2.1%	2.1%	2.2%
Mortgage Loans	12.5%	12.7%	13.4%	13.7%	14.0%
Real Estate	0.5%	0.5%	0.4%	0.4%	0.4%
Contract Loans	2.8%	2.6%	2.5%	2.6%	2.6%
Derivatives	2.5%	1.9%	1.8%	1.9%	2.2%
Cash & Short-Term Investments	3.3%	2.9%	2.8%	3.5%	3.5%
Other Investments	5.5%	6.6%	7.1%	7.2%	7.5%
Total Cash & Investments	100.0%	100.0%	100.0%	100.0%	100.0%
Cash and Invested Assets' Share of General Account Assets	94.9%	94.8%	94.4%	93.6%	93.7%

Source: S&P Global

The L&H sector's general account asset portfolio reflects the structure of the investment portfolio. Cash and invested assets made up close to 94 percent of general account assets at year-end 2024. Bond holdings (primarily corporate) have consistently made up the bulk of the L&H sector's investment portfolio, reflective of the significant role that life insurers have in the corporate bond market for their asset-liability matching strategy. The predictability of cash flows from bond investments enhances the ability of insurers to meet future policyholder obligations. Since 2019, close to 98 percent of bonds held by life insurers have been long-term in tenure—in line with the long-dated obligations under life policies and annuity contracts.

Long-term bonds held by L&H insurers totaled $3.9 trillion at year-end 2024, nearly four percent higher than the level reported at the prior year-end but comprising a smaller proportion of the sector's total investment holdings. Ultra-low interest rates, in the aftermath of the 2008 financial crisis and during the fallout from the COVID-19 pandemic, were the impetus for life insurers to seek higher yield, which also served to ease any balance sheet pressures created by capital-intensive products such as traditional, guaranteed return life insurance products. As a result, the prolonged interest rate environment compelled insurers to realign their investment activities. As shown in Figure 21, the sector's allocation to long-term bonds has followed a downward trajectory over the last five years, falling from 70.4 percent at year-end 2020 to 67.4 percent at year-end 2024.

Additionally, the L&H bond portfolio reflected the ongoing migration away from public corporates towards such non-traditional bonds as CLOs and other structured securities, with a gradual pivot to more complex bond structures over the last six years. Corporate and municipal bonds constituted 61.1 percent and 5.1 percent of the bond portfolio, respectively, at year-end 2024, down from 61.6 percent and 5.7 percent at year-end 2023, and 62.3 percent and 6.3 percent at year-end 2019.[80] By contrast, asset-backed (ABS) and other structured securities have been increasing their share of the L&H sector's bond portfolio: ABS and other structured securities of $555.3 billion comprised 14.6 percent of total L&H bonds at year-end 2024 compared to $493.7 billion and 13.5 percent at year-end 2023 and 9.8 percent at year-end 2019.[81] The L&H sector has been expanding its holdings of ABS and other structured securities year after year, growing them by about 12 percent on average each year since 2019 such that exposure to this asset class in 2024 was 1.7 times that reported in 2019.[82] (For more discussion of the L&H sector's portfolio of structured securities, see also Figure 24 and accompanying text.)

L&H exposure to alternative investments has increased consistently over the last five years. Allocations to other invested assets (largely, alternative investments) and mortgage loans in 2024 have expanded by 1.9 percent and 1.5 percent respectively, from 2020 levels. Other invested assets have consistently shown year-over-year growth. At year-end 2024, they grew by 8.1 percent to total $418.5 billion, building on the 5.6 percent annual growth reported in 2023. Growth, however, was still lower than the double-digit annual growth rates in 2020 through 2022.[83]

The second largest L&H investment allocation has consistently been mortgage loans. They totaled $785.7 billion and $733.0 billion in 2024 and 2023, respectively, while growing annually by 6.3 percent on average since 2019. Commercial mortgage loans are a source of diversification and have consistently been a significant portion of the L&H sector's mortgage loan exposure, facilitated through direct lending and commercial mortgage-backed investments. Commercial mortgages of $629.8 billion comprised 80 percent of L&H mortgage exposure at year-end 2024 compared to $613.6 billion and 83.5 percent at the prior year-end.[84] Certain parts of the CRE market remained under pressure, as higher interest rates and the sustained shift to remote work continued to impact commercial property values, especially in the office sector. Office properties made up 18 percent of life insurers' commercial mortgage loan portfolio at year-end 2024, down from 20 percent at year-end 2023.[85] According to S&P Global, refinancing

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[80] Michele Wong, *NAIC Capital Markets Special Reports: U.S. Insurance Industry Cash and Invested Assets Rise Over 5% to Close in on $9 Trillion as of Year-End 2024* (2025), https://content.naic.org/sites/default/files/capital-markets-special-reports-asset-mix-ye2024.pdf; Michele Wong & Kaitlyn Kaminski, *NAIC Capital Markets Special Report: U.S. Insurers' Cash and Invested Assets Reach Almost $7 Trillion at Year-End 2019* (2020), https://content.naic.org/sites/default/files/capital-markets-special-report-cash-invested-assets-2019.pdf.

[81] Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry Cash and Invested Assets Rise Over 5% to Close in on $9 Trillion as of Year-End 2024*. Asset-backed and other structured securities include consumer ABS, CLOs, commercial ABS, and lease-backed securities.

[82] The greater granularity around the mix of assets discussed in this report is based on analysis performed by the NAIC. Unless otherwise cited, the numbers in this report are drawn from S&P Global, and while S&P Global's insurance data is based on the statutory statements from the NAIC, there may be some differences.

[83] Annual growth in other invested assets was 11 percent, 25.3 percent, and 10 percent in 2020, 2021, and 2022, respectively.

[84] S&P Global, Life Industry Schedule B Part 1 – Mortgage Loans Owned as of December 31 of Current Year.

[85] FitchRatings, "US Life Insurers' Exposure Limited to Rising Commercial Real Estate Losses," news release, May 16, 2025, https://www.fitchratings.com/research/insurance/us-life-insurers-exposure-limited-to-rising-commercial-real-estate-losses-16-05-2025.

risk for debt maturities in the next two years remained high, particularly for struggling properties that are unable to increase cash flows.[86]

Current market distress can be seen with the escalation of mortgages in foreclosure held by the L&H sector. Mortgages in foreclosure of $2.3 billion at year-end 2024 rose sharply by nearly 26 percent from $1.8 billion at year-end 2023, about four times the levels reported in 2019. Of those total foreclosures at year-end 2024, commercial mortgages comprised 53.2 percent or $1.2 billion, compared to 60.3 percent or $1.1 billion at year-end 2023. Though this is a trend that should be monitored, 98.6 percent of the sector's mortgage loan portfolio has consistently been (and remains) in good standing. Mortgages in foreclosure comprised only 0.44 percent of the L&H sector's capital and surplus at year-end 2024. Moreover, life insurers, have limited, well-diversified real estate exposure and a sufficient capital cushion to absorb potential losses.[87]

iii. Liquidity

Liquidity risk is the risk that a firm will have to take a loss when it is forced to raise cash quickly. For insurers, liquidity risk is most likely to occur when they must pay customers an unexpectedly large amount.[88] Policyholder behavior, changing economic conditions, credit rating downgrades, and greater margin requirements on derivatives are among some of the drivers that can affect a life insurer's liquidity demands.

Though heightened exposure to liquidity risk was noticeable in 2024, the L&H sector's ability to meet its financial and operating needs remained sound, which can largely be attributed to strong premium growth from record annuity sales. The effects of elevated interest rates in 2024 were evident, however, contributing to increased surrender activity and ongoing efforts to optimize investment portfolios which resulted in greater asset illiquidity. Additionally, the current liquidity ratio, a measure of an insurer's immediate ability to pay its obligations, declined for the third consecutive year.

The L&H sector's liquidity profile has been characterized by positive net cash flows from operations year after year, which has been a source of financial strength for the sector. Figure 22 illustrates the cash flows from L&H sector operations for each of the past five years, showing surrenders and benefit payments, each as a share of net premium receipts.[89]

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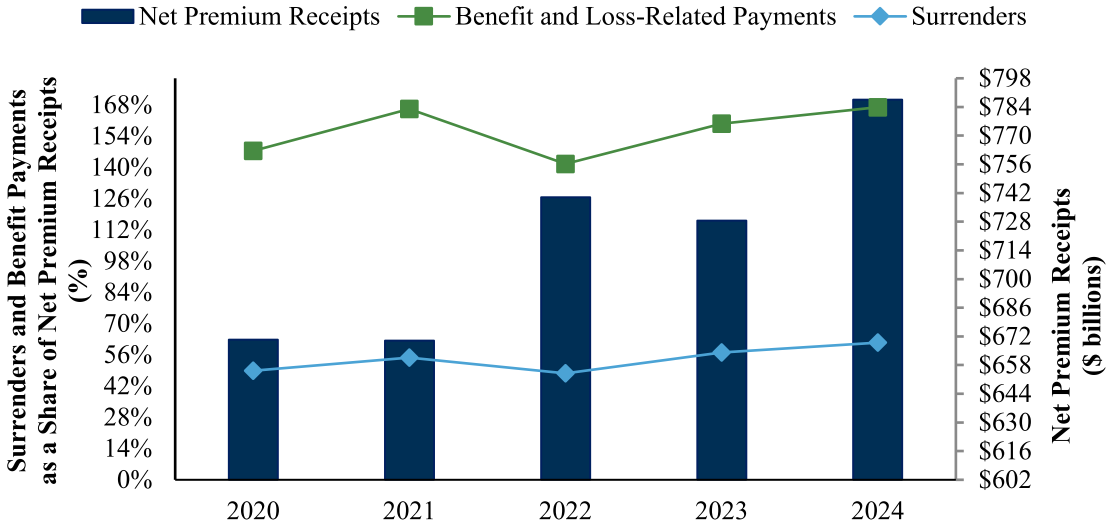
[86] Ana Lai, *et al.*, *CRE Debtholders Are Confronting Increasing Refinancing Risk And Charge-Offs In 2024; Outcomes Will Vary* (2024), https://www.spglobal.com/ratings/en/regulatory/article/240603-cre-debtholders-are-confronting-increasing-refinancing-risk-and-charge-offs-in-2024-outcomes-will-vary-s13115415.

[87] FitchRatings, "US Life Insurers' Exposure Limited to Rising Commercial Real Estate Losses."

[88] In extreme cases, liquidity risk can lead to runs. Runs occur when many liability holders rush to withdraw their funds from an institution because they fear the money will run out. However, life insurers manage their cash flows tightly, creating cash buffers to offset potential liquidity shocks by drawing on such funding sources as the Federal Home Loan Bank and interest rate derivatives, thereby reducing the likelihood of fire sales of assets. Moreover, surrender penalties and other deterrents attached to certain life insurance products and the reserving mechanisms in place at life insurers make bank-like runs a remote event.

[89] This liquidity analysis is based on cash inflows and outflows from operations, as reflected in the cash flow statement, and specifically refers to premiums that were collected and benefit and loss-related payments actually

Figure 22: Cash Flows from Operations for the L&H Sector



Source: S&P Global

Cash flows from operations improved in 2024 from the prior year, largely due to the considerable boost in premium receipts. Cash flows were $174.0 billion and $167.2 billion in 2024 and 2023, respectively. In viewing the L&H sector's experience since 2019, surrender volumes and benefit payments reached a high point in 2024, building on the growth observed in 2023.

The ratios in Figure 22 are reflective of the broader market and economic conditions in 2024. The ratios have remained on an upward trajectory since 2022, when the Federal Reserve began to raise interest rates to address inflationary pressures. Though inflation continues to subside, the Federal Reserve has held the federal funds rate elevated (relative to previous years) but steady. Higher interest rates, however, tend to expose life and annuity writers to greater disintermediation risk. Annual growth in surrenders has continued at double digit rates for the past two years, at 16.3 percent and 17.9 percent in 2024 and 2023, respectively, as policyholders have surrendered their policies, likely for better performing products.[90] In aggregate, the L&H sector reported surrenders of $484.2 billion in 2024 compared to $416.2 billion and $353.0 billion in 2023 and 2022, respectively.

Benefit and loss-related payments amounted to $831.2 billion in 2024, up by 11.3 percent from $747.0 billion in 2023. While growth in premium receipts rebounded in 2024, the two ratios in Figure 22 still deteriorated from the prior year due to the considerable pace of growth reported

made during the year. By contrast, the income statement presents a view of profitability for the year, reflecting the revenues and gains as well as the expenses and losses incurred during the reporting period. Timing differences differentiate the cash flow and income statement.

[90] A.M. Best, "Best's Special Report: Individual Annuity Surrenders Dent Operating Profitability," news release, July 7, 2025, https://news.ambest.com/newscontent.aspx?AltSrc=23&RefNum=267178.

for surrenders and benefit payments. Net premiums collected were $787.5 billion, rising by 8.1 percent from $728.5 billion in 2023.

Positive cash flows from operations have contributed to constant growth in cash and invested assets for the L&H sector, bolstering its liquidity position. Cash and invested assets of $5.6 trillion expanded by 5.0 percent from the prior year, resulting in an average annual growth rate of 4.6 percent since 2019. Moreover, the ratio of cash and invested assets to general account liabilities has remained stable at slightly above a multiple of one annually, illustrating the sector's tightly matched asset-liability books.

Due to their longer duration liabilities, life insurers' portfolios are often heavily weighted with fixed-income securities because they provide greater certainty in asset cash flows. As such, bonds have consistently made up the bulk of L&H cash and investments (as also discussed in Section II.A.2.b.ii). The sector has invested at least 94 percent of its bond portfolio in investment-grade debt each year since 2019, serving to mitigate its credit risk exposure and reinforce its liquidity. Bonds totaled $3.9 trillion at year-end 2024, rising by nearly four percent from $3.7 trillion at year-end 2023. Of those amounts, investment-grade bonds were $3.7 trillion and $3.5 trillion for the same years, respectively.

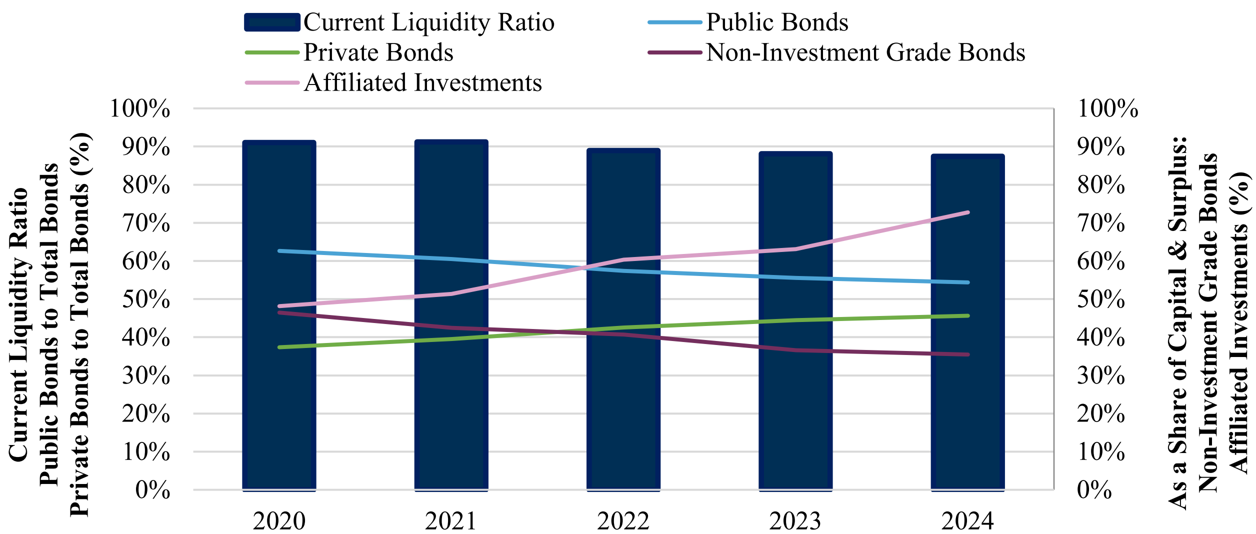
To align with the long-dated obligations on the L&H sector's balance sheet, almost 41 percent (or $1.6 trillion) of the bond portfolio had maturities of 10 years or longer at year-end 2024, compared to 40.5 percent (and $1.5 trillion) at year-end 2023. Of the bonds with maturities of 10 years or longer, 50.6 percent had maturities greater than 20 years, decreasing from 51.2 percent at year-end 2023 and continuing the downward trend observed since 2020—reflective of the sector's shift in investment strategies. Nearly 23 percent of the bond portfolio consisted of holdings with maturities between 5 and 10 years as of year-end 2024, compared to 23.9 percent as of the prior year-end. In summary, close to two-thirds of the sector's entire bond portfolio has steadily been allocated to medium- to long-duration investments in each of the last six years, supporting the longer time horizon of a life insurer's obligations.

Enduring Investment Trends

As noted earlier, the protracted low-interest rate environment had contributed to balance sheet strains for life insurers, forcing them to search for higher yielding, albeit less liquid investments, such as private credit, and achieve capital efficiencies in support of the sector's product mix. With increased entrants in the life insurance space, maintaining competitiveness was another factor underlying this trend. Greater asset illiquidity, however, carries with it potentially widening of market and credit risk exposures, as described below. At present the L&H sector's continued ability to support its policyholder and funding commitments as they come due remains strong. Nevertheless, the increasing reliance on the private credit market led to regulatory developments by the NAIC and state regulators, as discussed in Section II.A.2.b.i (RBC Developments).

Remaining unchanged from 2023 is the ongoing use of complex, structured, and private and other alternative assets, which has gradually transformed the investment profile of the L&H sector, as illustrated in Figure 23. The investment allocations reflect a tradeoff: increased liquidity, credit, and complexity risk for higher expected yields. Specifically, the share of the bond portfolio allocated to private bonds has remained on an upward path, while public bond allocations have decreased by over 10 percentage points since 2019.[91] Additionally, other investment allocations such as to non-investment grade bonds and affiliated holdings continue to carry implications for the sector's reserves and capital that these assets support.

Figure 23: A View of L&H Liquidity



Source: S&P Global

Of note is that the L&H sector has been reducing its allocations to non-investment grade bonds since 2020. Though steadily declining as a share of L&H capital and surplus since 2020, non-investment grade bonds still account for a significant portion: 35.5 percent of capital and surplus at year-end 2024 compared to 36.6 percent and 40.7 percent at year-end 2023 and 2022, respectively. Furthermore, affiliated investments have been on an upward trajectory, growing year over year and accounting for a larger proportion of L&H capital and surplus. Such investments are typically illiquid, and thus can negatively impact the overall quality of available capital.

As shown in Figure 23, privately placed bonds have consistently accounted for a growing share of total bond holdings over the past five years, reaching 45.6 percent at year-end 2024. Private-label RMBS saw the fastest growth of L&H bond holdings in 2024, with year-over-year growth of over 20 percent.[92] The reallocation and heightened interest in private credit has allowed the L&H sector to reduce portfolio volatility and benefit from low correlation to public markets. The growing reliance on private credit has also provided insurers the ability to generate additional spread earnings to compensate for the relative illiquidity assumed.

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[91] At year-end 2019, public bonds of $2.1 trillion comprised almost 64.5 percent of the L&H aggregate bond portfolio. At year-end 2024, public bonds still totaled $2.1 trillion but made up just 54.4 percent of L&H bond holdings.

[92] Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry Cash and Invested Assets Rise Over 5% to Close in on $9 Trillion as of Year-End 2024*.

This trend, however, has resulted in more complex assets on life insurers' balance sheets, presenting challenges in analyzing capital quality and the sector's liquidity position.

The following subsections discuss some key characteristics that may contribute to greater illiquidity of certain asset classes as well as to the ongoing growth of non-traditional and affiliated exposures in 2024.

Private Credit

In addition to the specialized expertise needed to understand and structure private credit, private credit is also linked to lower levels of transparency than comparable public assets, making risk exposures more difficult to monitor and assess. Directly observable market prices for private credit are often absent, unlike for public markets where prices are readily available. As a result, estimating the value of private credit may require assumptions and projections that are more difficult to validate. Additionally, private placements are not typically assigned credit-agency ratings, making it more challenging for investors and regulators to compare the risk of these instruments to that of rated issues. Therefore, issuers of private credit must be prepared to pay investors a premium in exchange for taking on the potential added risk. Life insurers' private placement holdings have progressively expanded in the last five years, taking up almost 3.4 times the L&H sector's capital and surplus at year-end 2024 compared to a 2.6 multiple at year-end 2019.

Alternative Assets and Structured Securities

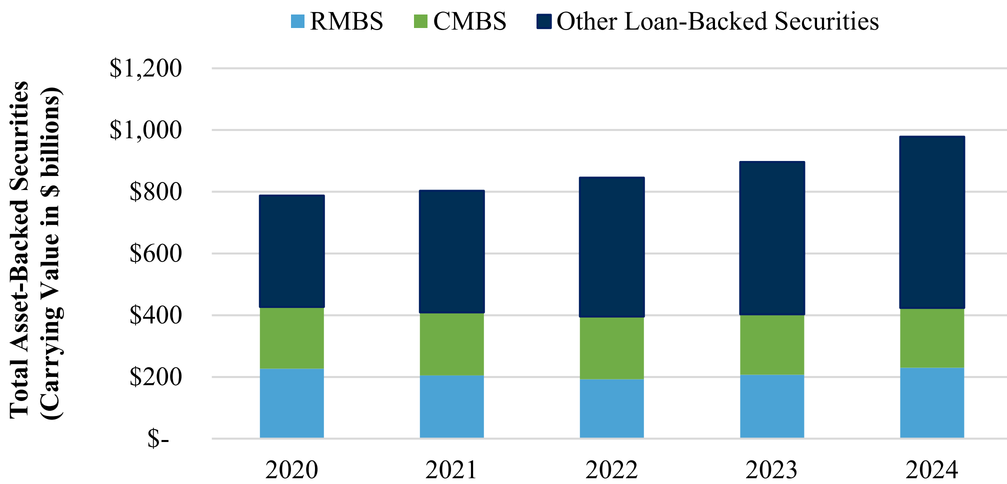
As in 2023, growth in alternative assets continued to outpace that of the bond portfolio at year-end 2024, growing by 6.8 percent to total $368.4 billion.[93] The trend towards investing in alternative and non-traditional asset classes by life insurers has not only raised the level of illiquidity embedded in capital and surplus but has amplified market risk exposures. The lower degree of credit and pricing transparency associated with these illiquid types of investments can result in heightened valuation volatility. As illustrated in Figure 20 in Section II.A.2.b.i, the L&H sector's increased exposure to alternative assets in 2024, as reported on Schedule BA, built on the 6.3 percent growth reported in 2023 but continued to be lower when compared to the double-digit annual growth observed earlier from 2019 through 2021, coinciding with the ultra-low interest rate environment. On the other hand, these alternative assets comprised 70.4 percent of the sector's capital and surplus at year-end 2024, up from 67.3 percent at year-end 2023 and nearly 22 percentage points greater than at year-end 2019 (48.5 percent).

The L&H sector's bond portfolio extends beyond corporate and government bonds to include ABS and other structured securities (including CLOs), as noted in Section II.A.2.b.ii. Comprising 17.4 percent of the L&H sector's investment portfolio as of year-end 2024, structured product holdings totaled $978.2 billion, a volume that has been steadily rising each year since 2019, as indicated in Figure 24. The presence of such securities on insurers' books highlights the growth of non-traditional bond holdings for life insurers and points to the desire for portfolio diversification and higher yield. Structured securities represented 25.2 percent of the bond portfolio as of year-end 2024, up from 24 percent and 22.9 percent from year-end 2023

[93] Alternative investment values are drawn from Schedule BA of the statutory financial statement.

and 2022, respectively. Like corporate and municipal debt instruments, structured securities are susceptible to credit pressures and interest rate movements. ABS and other structured asset classes, however, are more complex than traditional debt instruments, and therefore may amplify liquidity vulnerabilities in times of stress and may also be subject to other risk exposures that include valuation and prepayment risks.[94]

Figure 24: L&H Sector Portfolio of Structured Securities



Source: S&P Global

Given the strains in certain parts of the CRE market, largely attributed to elevated interest rates and shifting work patterns, CMBS holdings have been on a decline since 2022. In 2024, CMBS holdings were $194.0 billion, decreasing from $196.0 billion and $203.2 billion in 2023 and 2022, respectively. Despite the sector's reduced holdings, CMBS still account for a considerable share of aggregate L&H capital and surplus, amounting to 37.1 percent at year-end 2024 compared to 38.2 percent at year-end 2023 and 41.5 percent at year-end 2022. Other loan-backed securities (primarily, CLOs) have shown substantial growth in the last five years, averaging over 11 percent annually. In 2024, they made up close to 57 percent of total ABS holdings with a value of $554.5 billion, up from $493.6 billion and $450.3 billion in 2023 and 2022, respectively.[95] Furthermore, other loan-backed securities comprised 106.0 percent of L&H capital and surplus at year-end 2023, up from 96.3 percent at the prior year-end. Because of their complexity, CLOs are less liquid and subject to greater volatility than corporate bonds, especially during market disruptions. During periods of higher interest rates, borrowing costs for corporations rise, exposing the underlying loans to greater default risk.

[94] The degree and scope of the risks associated with these types of securities differ, depending on their structure. The securities are structured to meet investors' risk appetites and can range from pass-throughs to complex tranching arrangements.

[95] S&P Global is the source of data cited for structured securities in this subsection and due to timing differences may differ slightly from the amounts reflected in Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry Cash and Invested Assets Rise Over 5% to Close in on $9 Trillion as of Year-End 2024*.

Finally, the L&H sector expanded its RMBS holdings in 2024 with year-over-year growth of 10.8 percent to total $229.6 billion, building on a 7.6 percent growth rate in 2023.

Affiliated Exposures

Considerable year-over-year growth has been exhibited in L&H affiliated exposures over the last five years—the effects of which can be material for insurer liquidity and solvency. Affiliated investments were $380.7 billion and $323.4 billion in 2024 and 2023, respectively, amounting to a 17.7 percent annual increase and making up 6.8 percent of L&H cash and investments. Due to the relatively illiquid nature of affiliated holdings, significant growth in affiliated investments may have the potential to adversely affect an insurer's capital base and the ability to meet unexpected cash needs. Affiliated cash and invested assets supported 72.7 percent of capital and surplus as of year-end 2024, expanding sharply from 63.1 percent as of year-end 2023 and 60.3 percent as of year-end 2022.

The composition of the L&H sector's affiliated investment portfolio in 2024 indicated some migration away from affiliated alternative investments largely to affiliated bonds and to a lesser extent to mortgage loans. Despite the sector's reduced allocation, affiliated alternative investments still comprised a substantial share of all affiliated exposures, at 43.5 percent at year-end 2024. Affiliated alternative holdings have consistently made up the bulk of the L&H sector's affiliated exposures in each of the last six years, with 2024 levels at 1.6 times those at year-end 2019, when affiliated alternative investments were $100.5 billion. At year-end 2024, affiliated alternatives of $165.8 billion accounted for 45.0 percent of total Schedule BA investments, compared to 44.7 percent and 43.1 percent for year-end 2023 and 2022, respectively. Affiliated bonds were the next largest affiliated exposure in 2024, totaling $105.6 billion and representing close to 28 percent of the L&H affiliated investment portfolio. By comparison, affiliated bonds were $79 billion and 24.4 percent of affiliated investments in 2023. Affiliated common stock of $83.3 billion accounted for 21.9 percent of total affiliated holdings at year-end 2024, relative to $72.6 billion and 22.5 percent at year-end 2023. Cash, short-term investments, preferred stock, and mortgage loans combined to make up the remainder of affiliated holdings, representing 6.8 percent of affiliated exposures at year-end 2024.

Mitigants

As outlined above, there are signs of a potential weakening in the L&H sector's liquidity profile. However, there are several factors mitigating such concerns. First, the sector's ability to effectively manage its cash flow is reflected in its consistent growth of cash and invested assets. This suggests that the L&H sector has been able to prepare for and fulfill its policyholder and operational needs on an ongoing basis.

Second, there are signs of improved credit quality in L&H bond exposures. The allocation to investment-grade bonds increased by 24 basis points to 95.2 percent at year-end 2024. Investment-grade bonds have constituted about 94 percent of bond exposures in each of the last six years, providing a reliable source of liquidity for life insurers.

Third, the L&H sector allocated only 3.5 percent of its cash and invested assets to CMBS at year-end 2024, reducing that proportion consistently over the last six years from a high that only reached 4.4 percent at year-end 2019. Further, the L&H sector's entire Schedule BA exposures comprised only 6.6 percent of total cash and investments as of year-end 2024 (compared to 6.4 percent at year-end 2023). As for CLOs, because these investments are floating-rate instruments in nature, any market volatility generated by rising rates is mitigated to an extent. Because growth in CLOs has been meaningful for life insurers, however, this asset class has come under increased regulatory review. Specifically, the NAIC and state regulators have been evaluating the appropriateness of RBC charges assigned to CLO holdings and, in particular, determining the capital treatment of residual (equity) tranches (see Section II.A.2.b.i).

Fourth, despite the continued growth in the L&H sector's holdings of affiliated cash and investments, the bulk of the investment portfolio has consistently been comprised of unaffiliated interests, taking up about 95 percent of total cash and investments on average. Moreover, unaffiliated investments held by life insurers have been aligned with the sector's fundamental asset/liability matching philosophy, with bonds accounting for at least 70 percent of unaffiliated holdings in each of the last six years. Growing at an annual pace of 4.1 percent on average in the last five years, unaffiliated cash and invested assets were $5.2 trillion at year-end 2024, up from $5.0 trillion at year-end 2023 and $4.9 trillion at year-end 2022. Unaffiliated cash and invested assets have covered general account liabilities by a multiple of one in each of the last six years, while the contribution of unaffiliated investments to capital and surplus has remained constant and substantial at a yearly multiple of almost 10.

While rising interest rates heightened disintermediation risk for life insurers, strong premium growth was a mitigant to surrender activity. The life and annuity sector has raised its individual annuity reserves so that nearly half have surrender charge protection or no ability to surrender, compared with an average of 37 percent between 2014 and 2021.[96] Moreover, the "higher for longer" interest rate environment will make savings products more appealing to consumers, likely further boosting the record annuity sales attained in 2024 and easing potential cash flow strains.

3. Property and Casualty Sector

This section presents additional analysis of the financial performance of the P&C sector in 2024 and then assesses the P&C sector's overall financial condition as of December 31, 2024, including a trend analysis of the last 10 years.

a) Financial Performance

i. Direct and Net Premiums Written

For 2024, total P&C sector direct premiums written reached a record level at $1.06 trillion, marking the third consecutive year of a 10 percent annual increase. Figure 25 shows the 2024 composition of P&C sector direct premiums written by lines of business. Figure 26 shows a 10-year view of the amount and composition of direct premiums written by major lines of business. Direct premiums written for personal lines increased by 13 percent in 2024 compared to 2023,

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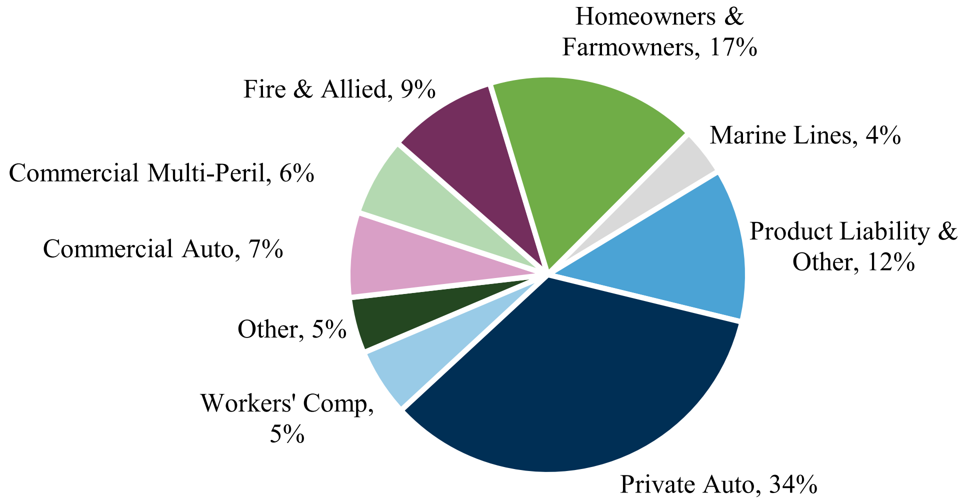
[96] A.M. Best, "Best's Special Report: Individual Annuity Surrenders Dent Operating Profitability," news release, July 7, 2025, https://news.ambest.com/newscontent.aspx?AltSrc=23&RefNum=267178.

while direct premiums written for commercial lines increased by five percent. During 2024, each of the three largest lines of P&C business (i.e., private passenger auto liability, auto physical damage, and homeowners multi-peril) experienced double-digit growth in direct premiums written.[97] Specifically, private passenger auto liability premiums (approximately 19 percent of total sector direct premiums written) increased by 12 percent in 2024, and auto physical damage premiums (17 percent of the sector total) increased by 14 percent, largely driven by approved rate increases, accelerated frequency and degree of rate filings, and a trend toward more use of six month policy terms (which allows for more frequent premiums resets at higher rates).[98] Homeowners' average multi-peril insurance premiums (approximately 16 percent of sector total) increased by 13 percent in 2024, largely the result of rate increases and still-increasing home values.[99]

Figure 25: 2024 P&C Sector Composition of Direct Premiums Written



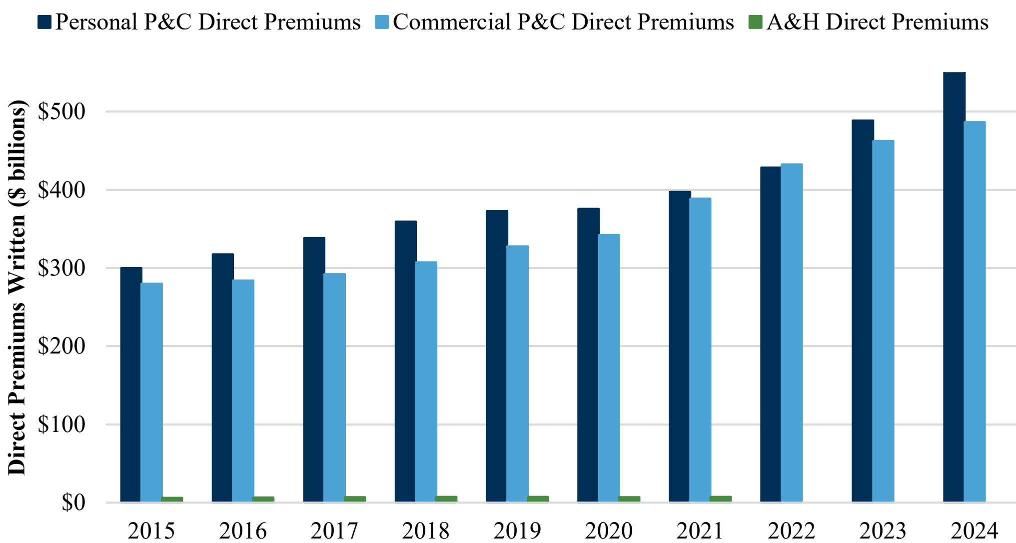
Source: S&P Global

[97] A.M. Best, *Best's Rankings: U.S. Property/Casualty – 2024 Direct Premiums Written by Line; Direct Premiums Written Increased 9.5%* (2025), https://news.ambest.com/research/displaybinary.aspx?URatingID=2562038&TY=P&record_code=354503.

[98] A.M. Best, *Market Segment Outlook: U.S. Personal Auto Insurance* (2025), https://news.ambest.com/research/displaybinary.aspx?URatingID=2562038&TY=P&record_code=352570.

[99] A.M. Best, *Market Segment Outlook: U.S. Homeowners Insurance,* (2025), https://news.ambest.com/research/displaybinary.aspx?URatingID=2562038&TY=P&record_code=352569.

Figure 26: P&C Sector Direct Premiums Written



Source: S&P Global

Commercial lines premium growth was driven by rate increases, with a six percent gain in premiums for commercial multi-peril and five percent gains for each of allied lines, workers' compensation, and commercial auto lines of business.[100]

Total net reinsurance cessions for the sector increased by 16 percent for 2024, resulting in net premiums written for the sector of a record $933 billion, which marked an increase of 10 percent from 2023. Generally, primary insurers retained more business in 2024 given generally higher costs of reinsurance.[101]

ii. Underwriting Results

Figure 27 shows the combined ratio for the P&C sector and its composition for the past five years.[102]

[100] A.M. Best, *Best's Rankings: U.S. Property/Casualty – 2024 Direct Premiums Written by Line; Direct Premiums Written Increased 9.5%.*

[101] *See, e.g.*, A.M. Best, *Market Segment Outlook: U.S. Homeowners Insurance,* 2 (discussing effects of reinsurance pricing in homeowners segment).

[102] S&P Global ratios include the policyholder dividend ratio because dividends represent a cash outlay.

Figure 27: P&C Sector Combined Ratios and Composition

	2020	2021	2022	2023	2024
Loss Ratio	59.34	62.39	66.44	66.49	61.61
Loss Adjustment Expense Ratio	10.80	10.15	9.93	9.88	9.35
Loss and Loss Adjustment Expense Ratio	**70.14**	**72.54**	**76.37**	**76.37**	**70.97**
Net Commission Ratio	11.27	11.05	11.11	10.77	10.67
Salaries & Benefits Ratio	7.43	7.16	6.72	6.74	6.74
Tax, License & Fees Ratio	2.31	2.29	2.28	2.31	2.34
Administrative & Other Expense Ratio	6.46	6.02	5.81	5.17	5.47
Expense Ratio	**27.47**	**26.52**	**25.93**	**24.99**	**25.22**
Policyholder Dividend Ratio	1.19	0.67	0.44	0.44	0.46
Combined Ratio	**98.80**	**99.73**	**102.74**	**101.80**	**96.65**

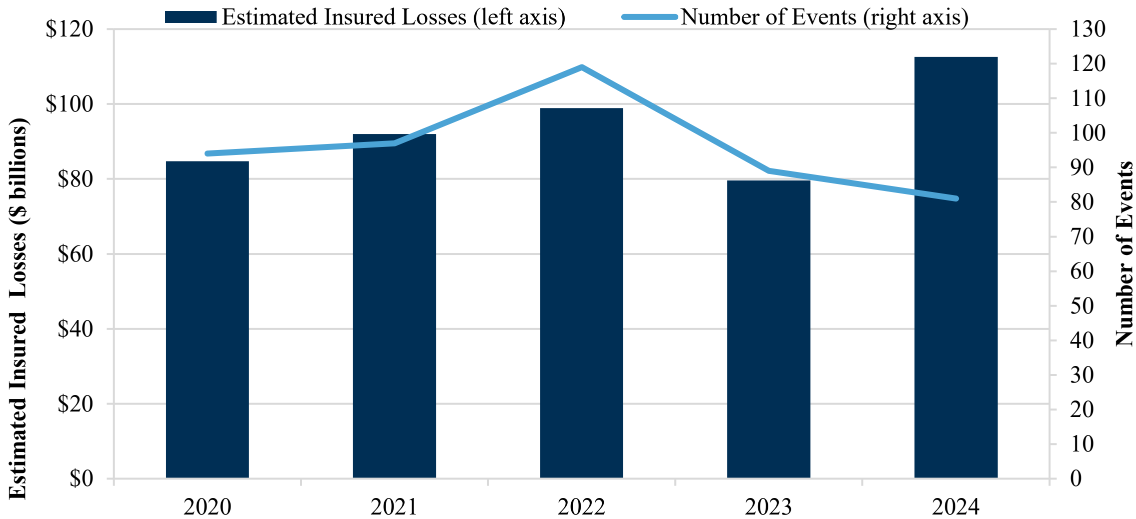
Source: S&P Global

The combined ratio for the P&C sector decreased to 96.7 percent in 2024 from 101.8 percent in 2023, reflecting a return to an underwriting profit following two consecutive years of losses.[103] The 2024 combined ratio also marked its lowest level in the past 10 years. A strong turnaround in personal lines results drove the improvement, as commercial lines results were similar to 2023. Personal lines recorded the first annual underwriting profit since 2019 despite significant catastrophe losses from convective storms (i.e., thunderstorms that may produce lightning, hail, strong winds, or tornados) and hurricanes as shown in Figure 28.[104] Significant rate increases in personal auto lines allowed for continued recovery from poor results in 2022. Homeowners insurance lines benefited from rate increases and losses that were absorbed by non-U.S. reinsurers.

[103] A combined ratio of greater than 100 percent indicates that premiums did not cover losses and expenses in a given period (i.e., underwriting operations made a negative contribution to net income) and, therefore, that a company did not generate an underwriting profit. Investment income, realized capital gains/losses, and income taxes are not considered in the combined ratio.

[104] Jason Woleben, "U.S. P&C Industry Achieves Best Underwriting Results in over a Decade in 2024," *S&P Global Market Intelligence*, May 7, 2024, https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/5/us-pc-industry-achieves-best-underwriting-results-in-over-a-decade-in-2024-88826743.

Figure 28: Estimated Insured Property Losses, U.S. Catastrophic Events

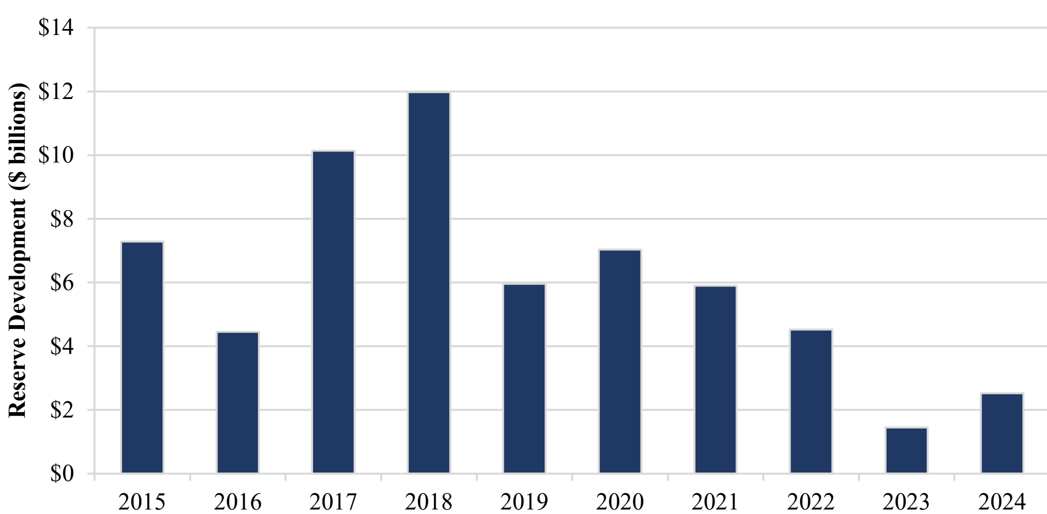


Source: Insurance Information Institute, https://www.iii.org/fact-statistic/facts-statistics-us-catastrophes (losses adjusted for inflation by the Insurance Information Institute)

Reserves

Reserve development was favorable in 2024, higher than in 2023, but still to a much lesser degree compared to the experience over the past 10 years. Favorable reserve development occurs when the current year actuarial estimates of losses arising from business written in previous years are less than the previous estimates for that year, thereby freeing reserves to contribute to the insurer's profitability. Figure 29 shows reserve development over the last 10 years.

Figure 29: Total One Year Reserve Development for the P&C Sector



Source: S&P Global (reflects total incurred net loss development for all accident years)

Litigation Costs and Reforms

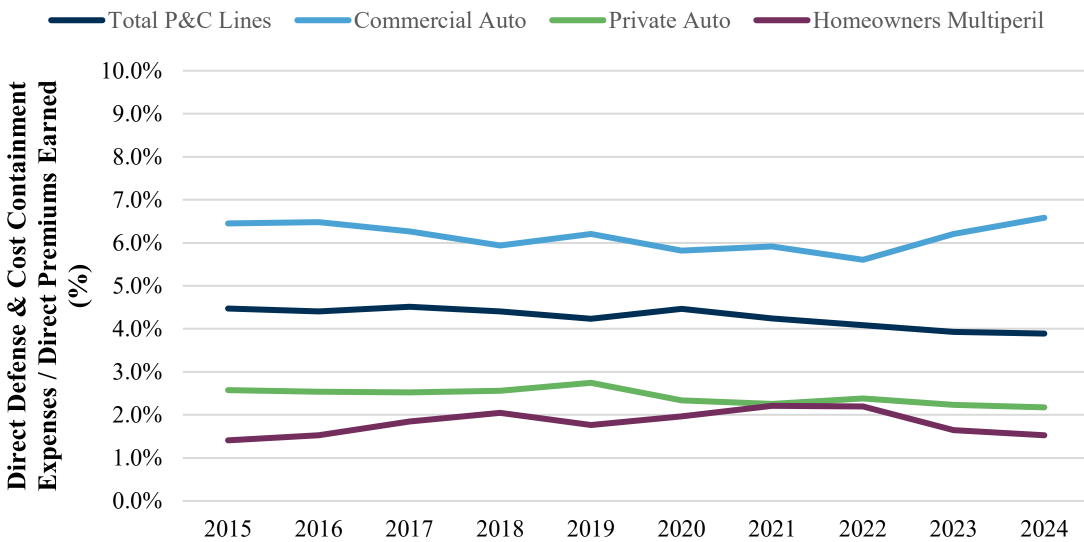
Insurer expenses declined slightly between 2023 and 2024, and potentially benefitted from state legal reforms to address increasing litigation costs. Factors cited as contributing to litigation costs include: (1) class action lawsuits, (2) high jury verdicts, (3) litigation funding by outside third parties (see Box 4), (4) "one-way" attorneys' fees laws (i.e., the insurer must pay the plaintiff's legal costs if the plaintiff wins in court but not requiring the plaintiff to pay the insurer's legal costs if the insurer wins), (5) assignment-of-benefits state laws that allow a policyholder to enter into an agreement to assign their claims and rights to a third party, and (6) efforts by plaintiff attorneys to undo tort reforms intended to deter personal injury lawsuits. These factors may have different impacts in different states, depending on the relevant laws.

In particular, reforms in Florida may have had a direct impact on litigation costs. As shown in Figure 30, U.S. P&C insurers' defense costs and containment expenses incurred as a percentage of direct premiums earned declined to 3.9 percent in 2023 and 2024 after having remained almost flat at about 4.5 percent between 2015 and 2020. The decline corresponded to reductions in Florida (see Figure 31)—particularly in multiperil homeowners insurance and private auto lines of business—following Florida legal reforms focused on eliminating one-way attorney's fees, restricting assignment of benefits, and reducing the time periods for claims and benefits.[105] Florida P&C insurers' defense costs and containment expenses incurred as a percentage of direct premiums earned declined to 5.1 percent in 2024, after having risen from 4.5 percent in 2015 to 6.6 percent in 2022, before the reforms were enacted.[106]

[105] *See, e.g.*, Florida Senate Bill 2A (enacted in 2022 to eliminate one-way attorney's fees). In 2022, Florida revised § 627.7152 of its statutes to prohibit assignment of benefit agreements executed on or after January 1, 2023. Also in 2022, Florida shortened: (1) the time period for insurers to acknowledge a communication with respect to a claim and the time period for insurers to begin an investigation after receiving a proof-of-loss statement to 7 days from 14; and (2) the time in which policyholders may file claims after the date of loss to within one year, down from the previous two-year timeframe.

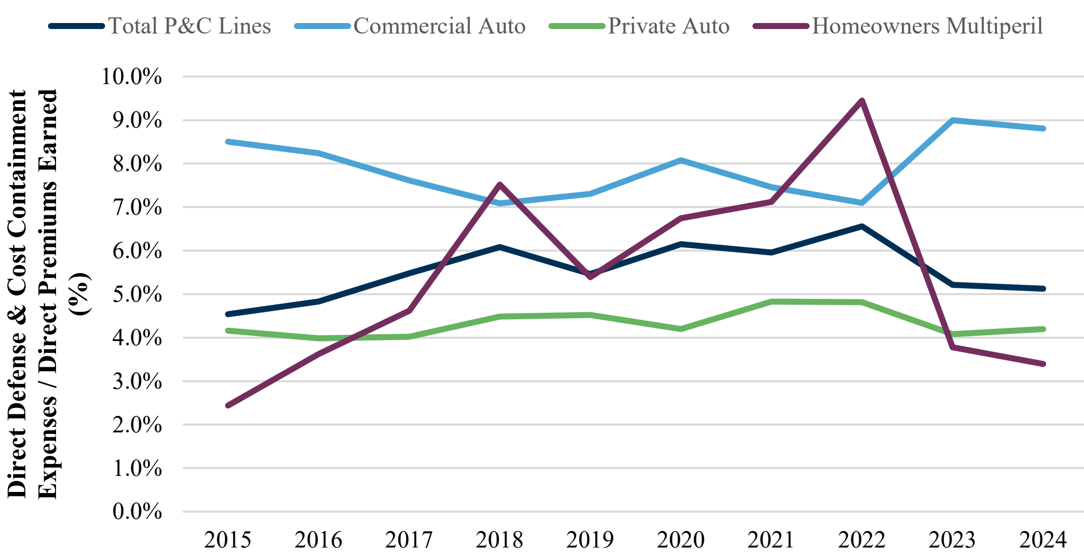
[106] S&P Global.

Figure 30: U.S. Ratio of Direct Defense & Cost Containment Expenses Incurred and Direct Premiums Earned



Source: S&P Global

Figure 31: Florida Ratio of Direct Defense & Cost Containment Expenses Incurred and Direct Premiums Earned



Source: S&P Global

Box 4: Third Party Litigation Funding

Insurer losses can follow adverse litigation outcomes or settlements. Third party litigation funding (TPLF) allows entities like hedge funds and other financiers to provide the money necessary to cover litigation or other costs on a non-recourse basis in exchange for a percentage of any settlement or judgment. TPLF typically involves funding for consumer or commercial lawsuits. Critics of TPLF, which include the insurance industry, claim that it prolongs litigation and increases costs. Proponents of TPLF, which include consumer groups, claim that it levels the playing field by allowing individuals and small businesses to pursue their claims against larger, better funded defendants.

Currently, at least 21 states have adopted laws or regulations governing TPLF, although with significant differences in terms of the types of lawsuits covered and disclosure requirements.[107] Seven states have laws that only cover consumer TPLF contracts.[108] One state has a law that only covers commercial TPLF contracts.[109] The remaining 14 states have laws that cover both consumer and commercial TPLF contracts.[110] Only five states require disclosure of the contents of the TPLF contracts to the opposing parties.[111] Three states require disclosure of the existence of the TPLF contracts, and two states require disclosure of the key terms to the opposing parties.[112] The remainder of the states do not require disclosure of the TPLF contract.

Multiple states have adopted rules to put limits on litigation financing. Twelve states require some or all TPLF funders to register with or be licensed by a state authority.[113] Sixteen prohibit the TPLF contract from giving the funder control over the settlement of the litigation.[114] Eight place special restrictions on foreign funders of the TPLF contracts.[115] Finally, several states are considering or considered legislation to address TPLF in 2025, including California, Maryland, Minnesota, New Hampshire, and New York.[116]

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[107] Arizona SB 1215 (enacted June 27, 2025); Colorado HB 25-1329 (enacted June 3, 2025); Georgia SB 69 (enacted April 21, 2025); 815 I.L.C.S. § 121; Indiana IN Code § 24-12-11; Kansas SB 54 (enacted April 7, 2025); LA Rev Stat § 9:3580.1, et. seq.; 9-A Me. Rev. Stat. Art. 12; Maine C.M.R. 02, 03, Ch. 714; MO. Rev. Stat. §§ 436.550, et. seq.; Montana SB 511 (enacted May 5, 2025); NE Code § 25-3301; NV Rev. Stat. Ch. 604C – Consumer Litigation Funding; Ohio Rev. Code § 1349.55; 14A OK Stat. §§ 3-801, et. seq.; Oklahoma HB 2619 (enacted May 18, 2025); TN Code §§ 47-16-101, et. seq.; UT Code § 13-57-102; 8 VT Stats §§ 2251, et. seq.; WV Code §§ 46A-6N-1, et. seq.; Wis. Stat. § 804.01(2)(bg).

[108] 815 I.L.C.S. § 121; 9-A Me. Rev. Stat. Art. 12; Maine C.M.R. 02, 03, Ch. 714; MO. Rev. Stat. §§ 436.550, et. seq.; Nevada, NV Rev. Stat. Ch. 604C – Consumer Litigation Funding; TN Code §§ 47-16-101, et. seq.; UT Code § 13-57-102; 8 VT Stats §§ 2251, et. seq.

[109] Ark. Code Ann. § 4-57-109.

[110] Arizona SB 1215 (enacted June 27, 2025); Colorado, HB 25-1329 (enacted June 3, 2025); Georgia, SB 69 (enacted April 21, 2025); IN Code § 24-12-11; 9-A Me. Rev. Stat. Art. 12; Montana SB 511 (enacted May 5, 2025), NE Code § 25-3301; Ohio Rev. Code § 1349.55; WV Code §§ 46A-6N-1, et. seq.; Wis. Stat. § 804.01(2)(bg).

[111] The five states requiring disclosure to opposing parties are Indiana, Montana, Oklahoma, West Virginia, and Wisconsin.

[112] Colorado, Louisiana and Missouri require disclosure of the existence of the TPLF contracts while Georgia and Kansas require disclosure of key terms.

[113] Georgia, Illinois, Maine, Missouri, Montana, Nebraska, Nevada, Oklahoma, Tennessee, Utah, Vermont, and West Virginia have registration or licensing requirements for certain TPLF companies.

[114] Arizona, Georgia, Illinois, Indiana, Louisiana, Maine, Missouri, Montana, Nebraska, Nevada, Ohio, Oklahoma, Tennessee, Utah, Vermont, and West Virginia prohibit TPLF companies from having control of settlements.

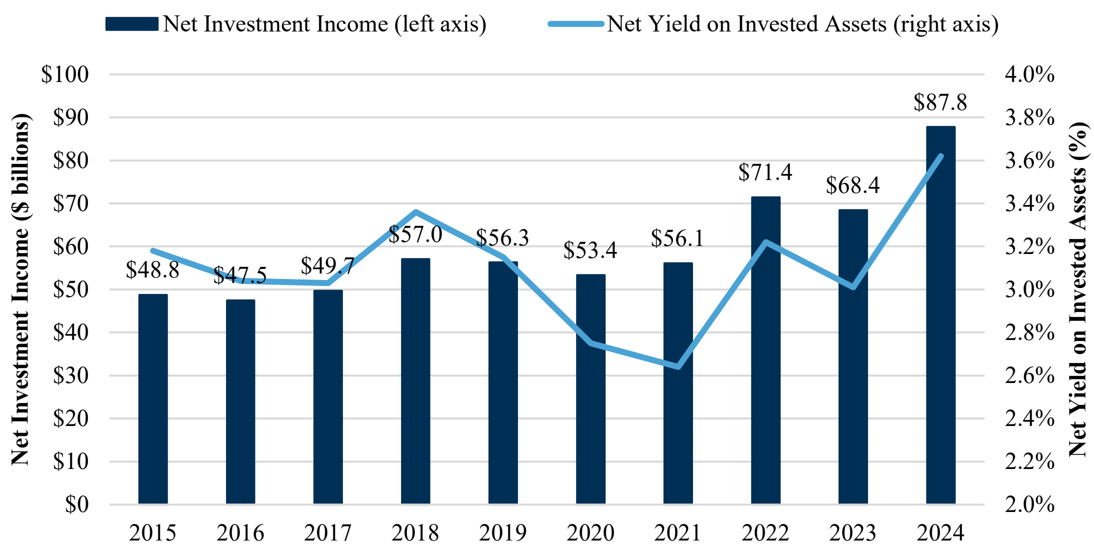
[115] Arizona, Colorado, Georgia, Indiana, Kansas, Louisiana, Montana, and Oklahoma place special restrictions on foreign funders of TPLF agreements.

[116] *See* California AB 743; Maryland HB1274; Minnesota SF 2929; New Hampshire HB 733; New York A804.

iii. Investment Income

Net investment income for the P&C sector in 2024 increased year over year by 28 percent to $88 billion, while cash and invested assets balances increased by almost seven percent to $2.5 trillion. As a result, the net yield on invested assets increased by 61 basis points to 3.62 percent in 2024. The 2024 net yield on invested assets was the highest experienced in the last 10 years. Higher short-term interest rates and an inverted yield curve for most of the year continued to favor the generally shorter-duration P&C asset portfolio (compared to the L&H investment portfolio), evidenced in significant increases in earned income from industrial and miscellaneous bonds and cash and short-term investments in 2024. Earned income from "other invested assets" increased slightly, but remained well below 2021 and 2022 levels. Figure 32 depicts the 10-year view of the trends in net investment income and net yield on invested assets for the P&C sector. P&C insurers are less dependent than L&H insurers on net investment income to fund losses and expenses, given their shorter contract terms and shorter-tailed losses. Nevertheless, net investment income accounted for approximately nine percent of total P&C sector revenues in 2024, on par with the 10-year historical average.

Figure 32: P&C Sector Annual Net Investment Income and Net Yield on Invested Assets



Source: S&P Global

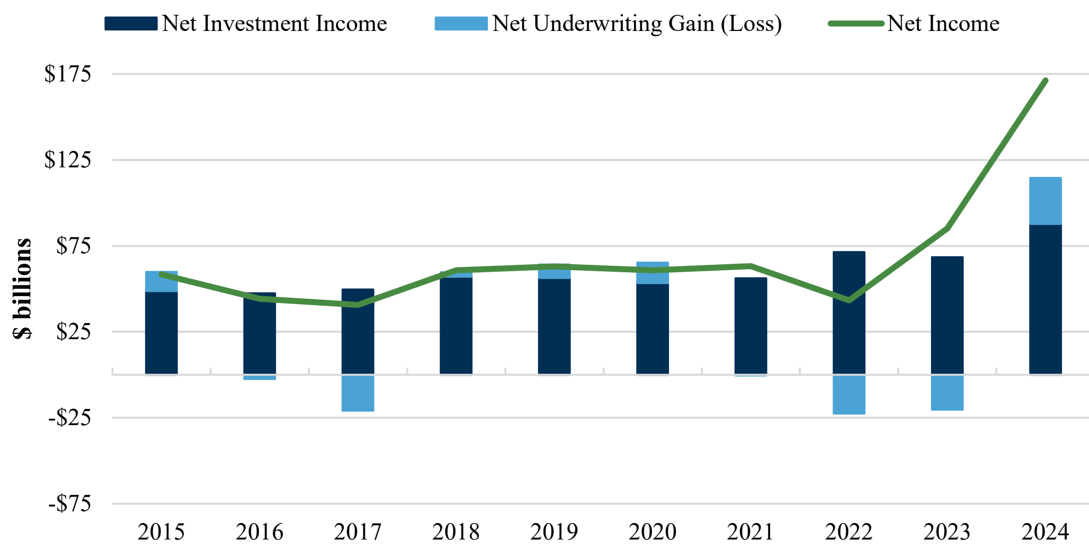
Realized capital gains and losses are reported separately and are not a component of net investment income, although they can have an effect on income. In 2024, the increase in net investment income was amplified by a substantial increase in realized capital gains. Realized capital gains on investments were almost $80 billion in 2024, a 58 percent increase over the $51 billion recognized in 2023. Much of the increase in net capital gains was attributable to four companies in the Berkshire Hathaway Insurance Group, which together reported $23 billion in net realized capital gains for the year.[117]

[117] A.M. Best, *First Look:2024 U.S. Property/Casualty Financial Results* (2025), available through https://news.ambest.com/research/displaybinary.aspx?URatingID=2562038&TY=P&record_code=352225.

iv. Net Income

The P&C sector's net income more than doubled in 2024 to $171 billion from the $85.1 billion reported in 2023, as shown in Figure 33. All major elements of the income statement—underwriting gain, net investment income, and net realized capital gains—combined to make 2024 a banner year for the sector. These elements led to an almost doubling of pre-tax operating income to $191 billion in 2024 from $96.1 billion in 2023. An 82 percent increase in the amount of federal income taxes paid then resulted in the 101 percent increase in net income.

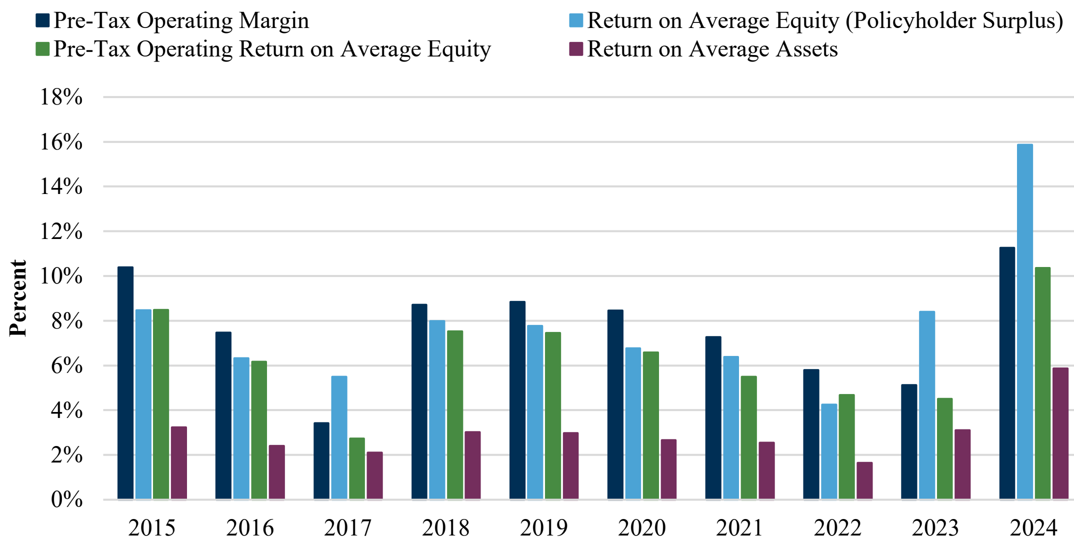
Figure 33: P&C Sector Net Income



Source: S&P Global

Figure 34 displays key measures of returns for the P&C sector. All of these metrics hit 10-year highs for the sector in 2024. The 2024 pre-tax operating margin increased to 11.3 percent from 5.1 percent in 2023. The 2024 return on average equity of 15.9 percent was well above the 8.4 percent experienced in 2023 and double the average of 7.8 percent for the past 10 years. This increase was due to the significant gain in 2024 net income combined with a more modest seven percent increase in policyholders' surplus.

Figure 34: P&C Sector Operating Ratios



Source: S&P Global

b) Financial Condition

This section analyzes the financial condition of the P&C sector at the end of 2024 and examines trends over the last 10 years from 2015 through 2024, focusing on surplus, assets, and liquidity.[118]

i. Policyholder Surplus

Policyholder surplus, a key indicator of an insurer's financial health and ability to meet unexpected claims and losses, strengthened significantly for the P&C sector in 2024, increasing seven percent. A rebound in the capital markets generated record investment income and the resulting doubling of net earnings translated into healthier balance sheets for P&C insurers. P&C surplus was $1.1 trillion at year-end 2024 compared to $1.0 trillion at the end of 2023. This increase was driven largely by net income of $171 billion combined with a sharp increase in net realized capital gains of $80 billion that was somewhat offset by $10 billion in net unrealized capital losses.

Figure 35 illustrates the sector's surplus health over the last five years and the contributions from asset portfolio growth.

[118] Unlike the L&H sector analysis (see footnote 36), a reporting change did not affect the P&C database at S&P Global. As a result, 10-year trends and analysis are discussed consistent with previous annual reports.

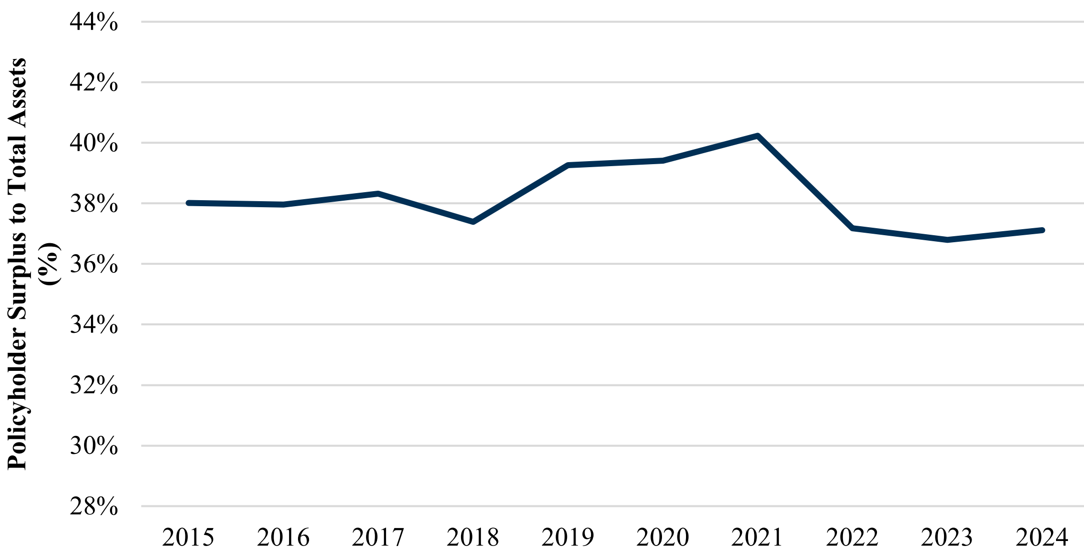
Figure 35: P&C Sector Surplus Position

($ in thousands)	2020	2021	2022	2023	2024
Total Assets	$2,357,556,571	$2,617,493,863	$2,640,787,283	$2,832,844,411	$3,006,404,745
Annual Asset Growth	6.9%	11.0%	0.9%	7.3%	6.1%
Policyholder Surplus	$929,253,009	$1,053,124,891	$981,862,918	$1,042,354,761	$1,115,745,330
Annual Policyholder Surplus Growth	7.3%	13.3%	-6.8%	6.2%	7.0%

Source: S&P Global

The ratio of policyholder surplus to total assets can be an indicator of surplus strength, as illustrated in Figure 36. The ratio rebounded slightly in 2024 from decreases in 2022 and 2023, although still below the levels in prior years. These changes are, in part, due to recent growth in reserve leverage (see P&C leverage discussion below, in connection with Figure 37). Nevertheless, the sector has maintained a level of consistency against the possibility of unexpected losses, with the ratio averaging 38.2 percent over the last 10 years.

Figure 36: Strength of P&C Sector Policyholder Surplus



Source: S&P Global

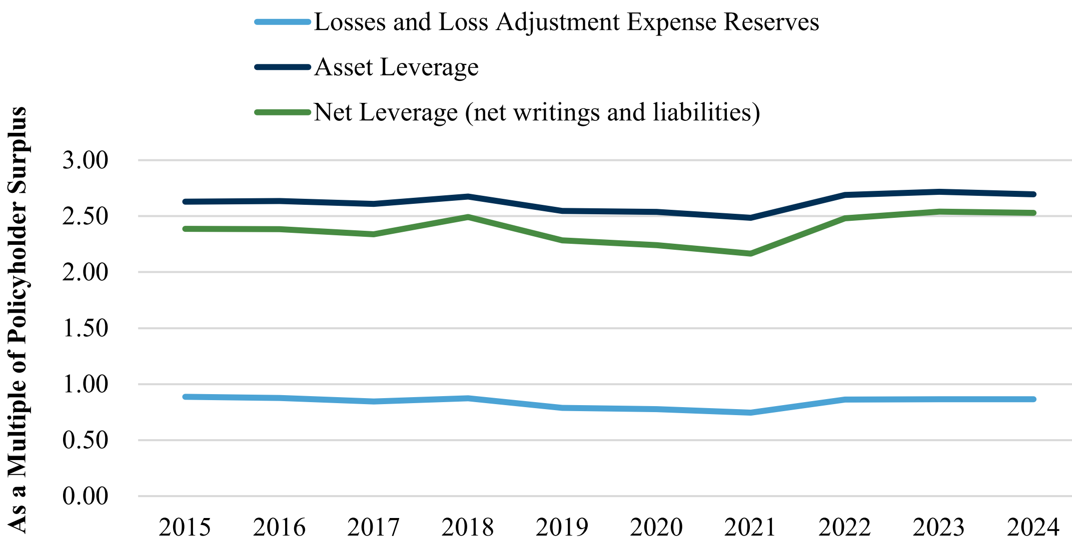
The P&C sector returned to a net underwriting gain in 2024, leading to a strong gain in pre-tax operating income. Continued profitability, aided by strong gains in net investment income, sustained the organic growth in P&C policyholder surplus (see Section II.A.3.a for a discussion of P&C sector financial performance). Net income contributed 7.6 percent on average annually to policyholder surplus between 2015 and 2024.

Stockholder dividends have had a significant impact on the P&C sector's capital formation (similar to the L&H sector), reducing policyholder surplus by 5.2 percent on average in each of the last 10 years. The P&C sector paid stockholder dividends of $88 billion in 2024, marking a notable 17 percent decrease from the record $105 billion paid in 2023.

Net realized capital gains have consistently contributed to generating capital for the P&C sector, adding 2.3 percent on average annually to prior year-end policyholder surplus over the last 10 years, and net unrealized capital gains have boosted surplus by 1.9 percent.

As shown in Figure 37, the P&C sector has generally been managing its leverage levels effectively over the last 10 years.[119]

Figure 37: P&C Sector Leverage Ratios



Source: S&P Global

While they measure different exposures, the asset and net leverage ratios presented in Figure 37 have been closely aligned for most of the past 10 years. Maintaining underwriting discipline and addressing exposure accumulations are key factors supporting a strong balance sheet; other factors contributing to a healthy balance sheet include the volatility and credit quality of the investment portfolio, reinsurance recoverables, and agents' balances.[120] For most of the last 10 years, the P&C sector has been growing surplus by effectively managing its vulnerabilities to market risks, including credit and interest rate risks. As Figure 37 illustrates, the asset leverage ratio declined to 2.69 in 2024 from 2.72 in 2023, while averaging 2.62 annually in the last 10 years.

The net leverage ratio (i.e., the ratio of net premiums written and liabilities to surplus) indicates the sufficiency of reserves to manage claims. Surplus pressures in 2023 were the result of growth in the components of the numerator outpacing that of the denominator, resulting in a 10-year high of 2.54 that was essentially unchanged in 2024 (as compared to a net leverage ratio that

[119] Increased leverage reduces the financial flexibility (and capital) that an insurer has available to address and mitigate market pressures, potentially widening risk exposure and impacting financial performance.

[120] Agents' balances refer to net admitted uncollected premiums and agents' balances in the course of collection, including direct and group billed uncollected premiums; amounts collected but not yet remitted to home office; accident and health premiums due and unpaid; life insurance premiums and annuity considerations uncollected on in-force business (less premiums on reinsurance ceded and less loading); and title insurance premiums and fees receivable. Reinsurance balances payable is not deducted.

has averaged 2.38 annually over the last 10 years). Despite the increase in 2023 and 2024, the P&C sector has generally sustained its financial capacity to support its business by successfully evaluating its underwriting risk and maintaining reserve adequacy.

Growth in both direct writings and net reinsurance premiums affected the net premiums written component of the net leverage ratio in 2024 (see Section II.A.3.a.i for a discussion of direct and net premiums written). While partially offset by surplus expansion, growth of the two components of the numerator—total liabilities and net writings—combined to continue to negatively impact the 2024 net leverage ratio as compared to the 10-year low in 2021.

Premium growth in 2024 led to growth of loss and loss adjustment expense reserves. Loss and loss adjustment expense reserves were $966 billion and $903 billion in 2024 and 2023, respectively, amounting to year-over-year growth of seven percent and within the range of annual growth reported in the previous three years. At year-end 2024, the ratio of loss and loss adjustment reserves to policyholder surplus was 0.87, which was flat compared to year-end 2023. This ratio in each of the last two years is consistent with the trend observed in the years prior to 2019 and before the effects of the COVID-19 pandemic, when lower ratios were observed. This may suggest that the P&C sector in the aggregate has generally remained consistent in its management and estimation of reserves to cover potential losses and adjustment costs arising from claims made on policies underwritten. To that end, the trend in favorable prior year reserve development continued in 2024, as the sector reported reserve redundancies.

ii. Assets

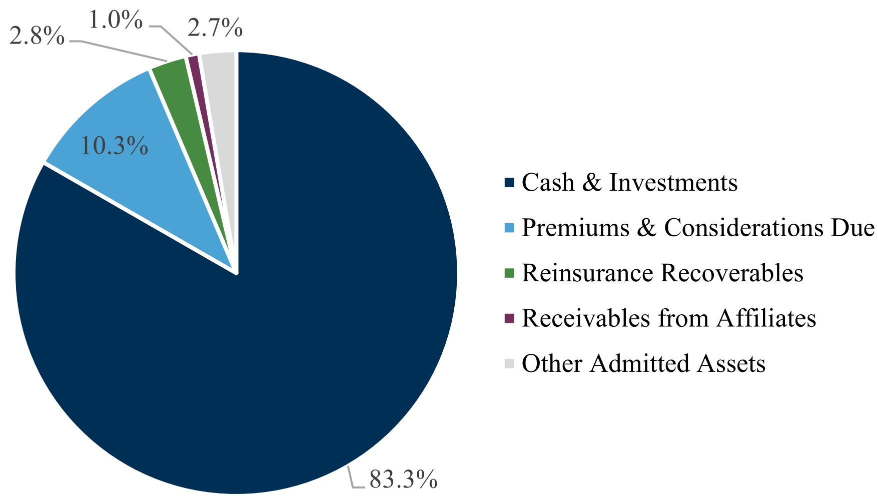
The P&C sector's capital position has been stable over the last 10 years, supported by year-over-year asset growth and sound asset-liability matching. Although the P&C sector introduced greater complexity in its bond portfolio beginning in 2023, overall investment trends suggest an improvement in asset quality.

After a rebound in asset growth in 2023 with a seven percent year-over-year increase in total assets, P&C asset growth remained strong in 2024 and expanded by six percent to $3.0 trillion. Annual growth of nearly six percent on average over the last 10 years has helped to sustain the P&C sector's financial health.

The structure of the P&C sector's asset portfolio has remained fairly constant for the last 10 years. Cash and invested assets have consistently been the largest component of total assets for the P&C sector, followed by premiums and considerations due. More specifically, on average, over the last 10 years, 84 percent of the sector's asset portfolio has been comprised of cash and invested assets, reflecting the strength of the sector's balance sheet to pay claims as they come due.

Figure 38 illustrates the composition of the P&C sector's assets at year-end 2024, which largely mirrors that of prior years.

Figure 38: Composition of P&C Sector Asset Portfolio



Source: S&P Global

Asset allocations within the P&C sector over the last 10 years have remained largely constant, with bonds and equities together making up more than 81 percent of the aggregate investment portfolio every year since 2015. In 2024, the effects of higher interest rates and strong stock market performance remained apparent. Exposure to common stocks decreased as insurers took profits and appeared to redeploy much of the proceeds into cash and short-term investments. The level of bonds increased slightly in 2024, while the allocation to other invested assets was essentially flat compared to 2023.

Figure 39 details the P&C sector's asset allocations from 2020 through 2024. Similar to L&H investment allocations, bond holdings for the P&C sector have been on a generally downward trajectory. Bonds averaged close to 60 percent of the sector's investment portfolio from 2015 to 2019 as compared to just under 55 percent on average from 2020 to 2024. Common stock investments decreased seven percent to $600 billion in 2024, down from $648 billion in 2023.

Figure 39: Composition of P&C Sector Investment Portfolio

	2020	2021	2022	2023	2024
Bonds (long-term)	55.37%	53.14%	55.54%	54.50%	55.18%
Preferred Stocks	0.82%	0.78%	0.75%	0.65%	0.61%
Common Stocks	25.82%	28.63%	26.21%	27.67%	23.98%
Mortgage Loans	1.18%	1.21%	1.34%	1.36%	1.26%
Real Estate	0.68%	0.60%	0.59%	0.54%	0.51%
Derivatives	0.03%	0.03%	0.06%	0.10%	0.08%
Cash & Short-Term Investments	6.99%	7.06%	7.14%	8.35%	11.55%
Other Investments	9.10%	8.55%	8.39%	6.82%	6.84%
Total Cash & Invested Assets	**100%**	**100%**	**100%**	**100%**	**100%**

Source: S&P Global

The composition of the investment portfolio detailed in Figure 39 aligns with the risk management practices employed by the sector to address both the shorter-term obligations of some P&C lines (such as auto claims), as well as longer-tailed liabilities (such as general liability, medical malpractice, and workers' compensation). The investment portfolio has shown year-over-year growth in bond holdings, as the predictability of cash flows produced by fixed-income securities can be better aligned with policyholder obligations and other business needs. Annual growth of bond holdings has accelerated in the last five years, averaging five percent as bonds grew to $1.4 trillion in 2024 from $1.1 trillion in 2020. From 2015 to 2019, by contrast, the P&C sector expanded its bond holdings by only three percent on average. Total long-term bonds were $1.4 trillion at year-end 2024, an increase of eight percent from the previous year end.

The sector's asset and liability management practices are demonstrated by the distribution of maturities in the bond book. For each year since 2015, an average of about 55 percent of bonds in the sector's portfolio had maturities of less than five years, while an average of 31 percent had terms ranging between 5 and 10 years. During this period, P&C insurers allocated significantly less of their bond portfolio to longer-term bonds, with an average of about 13 percent of bonds having maturities greater than 10 years. In 2024, 14 percent of the sector's bond portfolio was allocated to holdings with terms of at least 10 years, decreasing from 15 percent in 2023. The inverted yield curve also persisted in 2024, potentially maintaining the appetite for longer-dated bonds.

Importantly, the bond portfolio of P&C insurers has consistently been of high credit quality, with at least 95 percent designated as NAIC Class 1 and 2 bonds (or investment grade) since 2015. However, similar to the L&H sector, the mix of investment grade bonds has slowly shifted toward NAIC 2 (BBB+ to BBB-) bonds over the last 10 years, peaking at 18 percent of total bonds in 2022, and receding to 16 percent of total bonds at the end of 2024.

Closer examination of the bond portfolio reveals some key shifts in its composition. As is the case for the L&H sector, increased complexity (and potentially, greater illiquidity) was characteristic of the P&C sector's bond portfolio in 2024. Structured securities increased by about 18 percent from 2023 levels, driven primarily by considerable year-over-year growth in RMBS holdings.[121] Specifically, agency-backed RMBS grew by 26 percent to $150 billion in 2024, while private-label RMBS holdings rose by 38 percent to $35 billion. Combined, RMBS made up 13 percent of the aggregate bond portfolio at year-end 2024, up from 11 percent in 2023. The P&C sector also steadily increased its holdings of ABS and other structured securities in each year between 2015 and 2024.

Corporate bonds remained the largest bond investment on P&C insurers' balance sheets, representing 40 percent of the sector's bond holdings at year-end 2024, essentially flat compared to year-end 2023. Corporate bonds totaled $568 billion and $521 billion in 2024 and 2023, respectively.[122] By contrast, the share of municipal bonds, while remaining the

[121] Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry's Cash and Invested Assets Rise over 5% to Close in on $9 Trillion as of Year-End 2024*.

[122] Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry's Cash and Invested Assets Rise over 5% to Close in on $9 Trillion as of Year-End 2024*.

second largest P&C bond allocation, has consistently declined within the total P&C bond portfolio. Municipal bonds constituted 16 percent of bonds at year-end 2024, down from 18 percent at year-end 2023 and nearly 25 percent at year-end 2020.[123]

Other investment trends have been observed in the sector. Over the period from 2015 to 2021, public bonds as a percent of total bonds were consistently declining as exposure to privately placed bonds grew at a higher pace. Between 2021 and 2024, however, the rate of growth of the two categories became closer, and privately placed bonds have leveled off at 19 to 20 percent of total bonds, in contrast to only 12 percent in 2015. Publicly traded bonds make up the remaining 80 percent of total bonds. Private placements comprised 20 percent or $313 billion of the aggregate bond portfolio at year-end 2024, compared to $275 billion at year-end 2023. Public bonds are usually traded actively, so market prices are readily available, and the greater transparency associated with disclosure requirements also supports risk assessment. Private bonds, on the other hand, provide less visibility to investors but offer an illiquidity premium in exchange.

Despite strong equity markets in 2024, common stock holdings for the P&C sector decreased by seven percent in 2024, a turnaround from the almost 13 percent year-over-year increase achieved in 2023. Based on realized capital gains, it appears the sector took the opportunity to lock in equity profits in 2024. With a 24 percent share at year-end 2024, common stock investments continued to be represented significantly in P&C insurers' cash and invested assets. Common stock holdings have averaged nearly 25 percent of the sector's investment portfolio each year since 2015. Also, while still constituting a relatively small percentage of total cash and invested assets, mortgage loan holdings contracted slightly in 2024, in comparison to considerable year-over-year growth in P&C insurers' investment portfolios between 2015 and 2023. Mortgage loan levels in 2024 were at a 2.5 multiple of 2015 levels. Total mortgage loans were $32 billion at year-end 2024, down one percent annually, and accounted for 1.3 percent of cash and invested assets. Cash and short-term investments showed the highest growth of P&C asset classes in 2024, increasing 48 percent to $289 billion, or 12 percent of cash and invested assets, compared to $196 billion, or eight percent of cash and invested assets at the end of 2023. Favorable short-term interest rates that match well with P&C liabilities and relatively high equity valuations combined to drive this growth. Other invested assets (found on Schedule BA of statutory financials) such as alternative investments, hedge funds, joint ventures, and the like, continued to lose share of assets in 2024 following several years of diminishing returns.

As seen for the L&H sector, the P&C sector in 2024 appeared to be rebalancing its investment profile in response to new market conditions. Accordingly, the higher interest rate environment translated into higher new-money yields for P&C investment portfolios as well as a continued willingness to trade incremental liquidity for incremental yield. With relatively high cash and short-term investment balances, the P&C sector stands poised to take advantage of longer-term investment opportunities as they are presented.

[123] Michele Wong & Jean-Baptiste Carelus, *NAIC Capital Markets Special Report: U.S. Insurance Industry's Cash and Invested Assets Continue to Grow Amid the Pandemic* (2021), https://content.naic.org/sites/default/files/capital-markets-asset-mix-ye-2020-final.pdf.

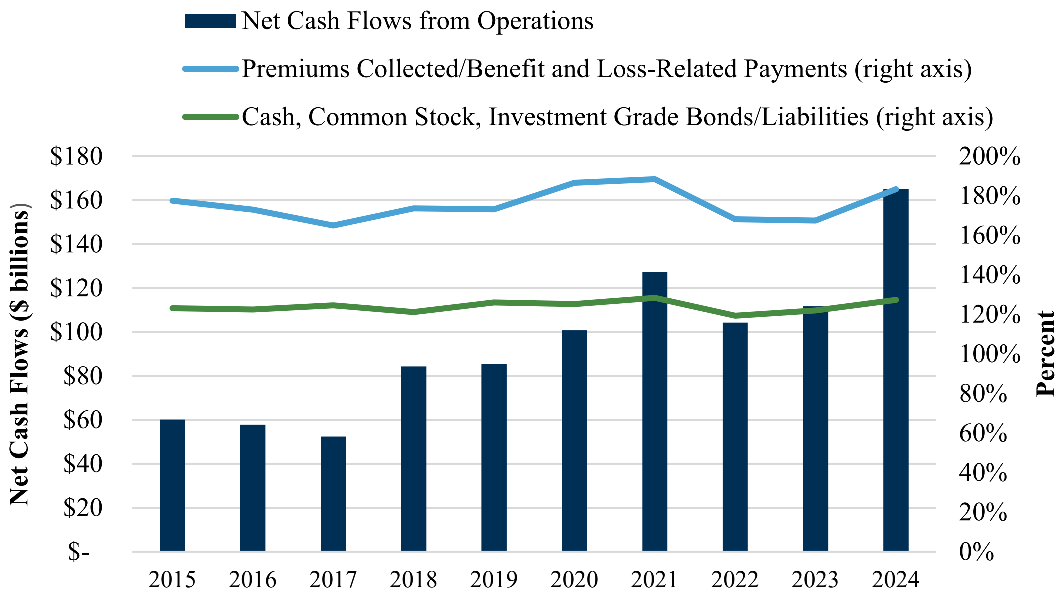
iii. Liquidity

The potential inability to secure adequate funding due to claims volatility, asset complexity, and market disruptions can expose P&C insurers to liquidity risk. For the U.S. P&C sector in 2024, however, there was continued evidence of enhanced liquidity levels, as insurers slightly pulled back from riskier assets and experienced strong premium growth.

Cash Flows

Figure 40 illustrates some improvement in P&C sector liquidity metrics relative to their 2023 performance, notably P&C net cash flows from operations and the strength of 2024 premiums versus loss payments.

Figure 40: A View of P&C Sector Liquidity



Source: S&P Global

Net cash flows from operations in 2024 of $165 billion reflected an increase of 48 percent year-over-year from the $112 billion reported in 2023, contributing to growth in cash and short-term investments. Cash and short-term investments rose sharply by almost $94 billion to $289 billion at year-end 2024, potentially providing expanded coverage of the sector's liabilities.

Annual growth in benefit and loss-related payments of one percent was significantly exceeded by the 10 percent growth in net premium receipts, relieving a minor strain on the ratio that occurred in 2023. As shown in Figure 40, premiums collected, net of reinsurance, exceeded benefit and loss-related payments by 83 percent at year-end 2024 compared to 67 percent at the prior year-end.[124]

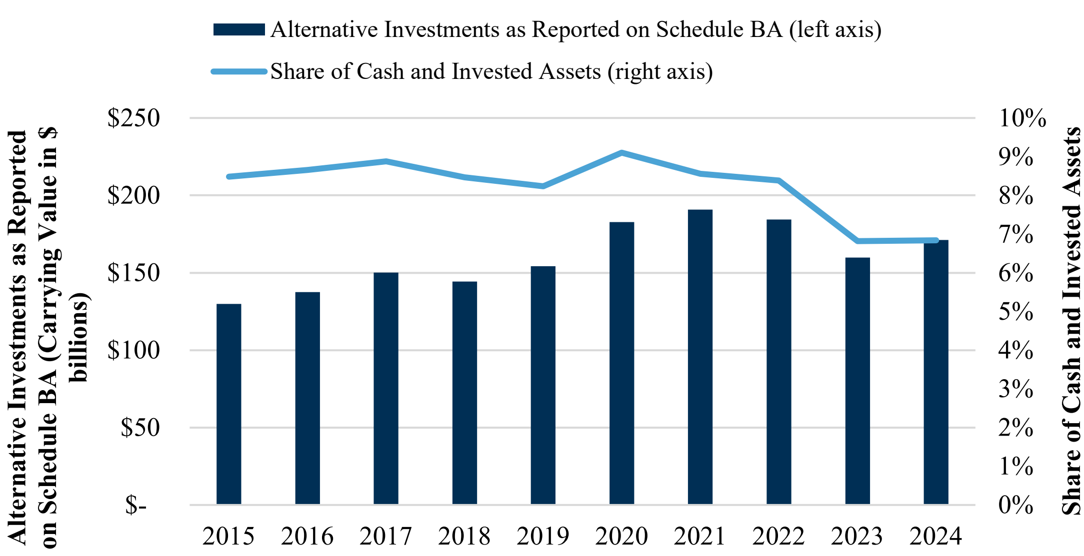
P&C insurers implemented significant premium rate increases in 2023 and 2024 to address inflationary pressures, increased natural catastrophe losses, and other loss and expense concerns. Net premium earned grew by nearly 10 percent for the second consecutive year as a result, which supported earnings and liquidity for the sector.

Credit Quality

As noted in Section II.A.3.b.i, elevated interest rates and strong equity markets have contributed to the changes in P&C asset allocations in the last few years. With attractive investment-grade yields still available, the P&C sector continued to migrate from riskier assets in 2024, raising the credit quality of its investment portfolio and further bolstering its liquidity profile.

Figure 41 illustrates the P&C sector's alternative investment allocations between 2015 and 2024. Following two years of decreasing amounts of alternative investments, the amounts in 2024 increased seven percent to $171 billion from the $160 billion reported in 2023.[125] The P&C sector's exposure to alternative investments comprised over 29 percent of the entire insurance industry's Schedule BA exposure in 2024, falling from 32 percent in 2023, continuing a downward trend. Joint ventures comprised the bulk of Schedule BA exposures for P&C insurers in 2024.

Figure 41: P&C Sector Alternative Investments



Source: S&P Global

[124] The liquidity analysis here is based on cash inflows and outflows from operating activities—premiums that were collected as well as losses paid on all lines of business during the year (excluding loss adjustment expenses paid). This contrasts with the income statement analysis that presents a view of profitability, reflecting premiums earned and written as well as incurred loss and loss adjustment expenses, and other underwriting expenses.

[125] S&P Global (Capital IQ, P&C Industry Data, Schedule BA – Part 1).

The P&C sector's holdings of U.S. government bonds continued to climb in 2024, totaling $406 billion compared to $307 billion in 2023, and rose to the second-largest bond exposure for P&C insurers (after corporate bonds), surpassing municipal bonds for the first time. Holdings of securities issued by U.S. federal, state, and local governments increased by nearly 23 percent in 2024, after a 13 percent growth rate in 2023. Total government bonds for the sector were $498 billion and $407 billion in 2024 and 2023, respectively.

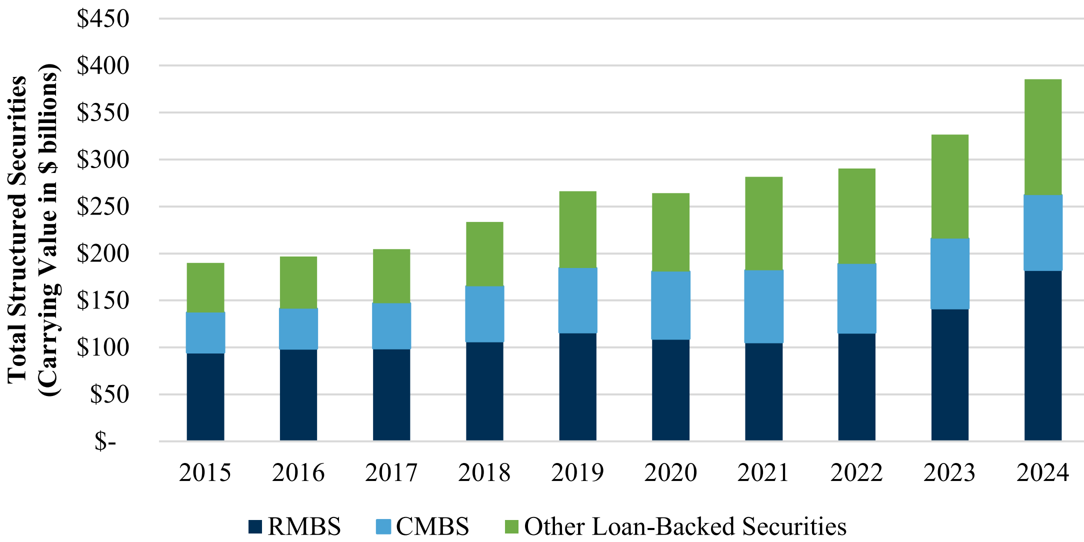
Non-investment grade bond (NAIC 3-6) holdings of $66 billion increased 14 percent from the $58 billion reported in 2023. Their share of policyholder surplus, however, continued to decline between 2022 and 2024. While bonds that were at or near default grew by almost eight percent for the sector to $8 billion in 2024, these made up only 0.75 percent of policyholder surplus at year-end 2024, which was flat compared to year-end 2023. Finally, investment-grade bonds—the bulk of the bond portfolio—rose by 13 percent in 2024 and remained on a path of year-over-year growth since 2015.

Complexity

As described above, there is evidence of enhanced credit quality in the P&C sector's asset portfolio, but this trend was also accompanied by signs of heightened complexity. Averaging an annual growth rate of over seven percent in the last 10-year period, structured securities constituted a significant share of policyholder surplus at nearly 35 percent at year-end 2024, down slightly from just over 35 percent at year-end 2023.[126] As noted in Section II.A.2.b.iii, structured securities can be complex products, which are subject to potentially greater liquidity and valuation risks—all of which makes them more vulnerable to market pressures (especially during periods of economic dislocation) as compared to traditional corporate and government bond holdings. Total structured securities held by the P&C sector were $391 billion in 2024 compared to $331 billion in 2023. Figure 42 shows the composition of the P&C sector's structured portfolio between 2015 and 2024.

[126] Structured securities include asset-backed securities, CMBS (agency and private label), RMBS (agency and private label), CLOs, and lease-backed securities.

Figure 42: P&C Sector Structured Securities



Source: S&P Global

Similar to the L&H sector, the P&C sector reported growth in RMBS investments in 2024. In 2024 (as in 2023) RMBS was again the fastest growing category of the P&C structured product portfolio, increasing by over 28 percent to a total of $185 billion at year-end 2024, an increase from $144 billion in 2023. At year-end 2024, RMBS made up over 47 percent of total structured securities held by the sector.[127] In a higher interest rate environment, holders of RMBS are exposed to extension risk and interest rate volatility, as well as to credit risk. In addition to the less predictable cash flows received from RMBS (because increased costs to borrowers of refinancing and prepaying mortgages affects the principal and interest received by investors), higher rates also extend the duration of RMBS, compounding price risk. RMBS holdings for both the P&C and L&H sectors have largely consisted of agency RMBS, which are backed by the U.S. government or government-sponsored entities and thus the related cash flows are guaranteed.[128] Additionally, the longstanding resilience of U.S. labor markets further supports RMBS performance by mitigating the risk of default.[129]

Growth in P&C sector investments in CMBS continued in 2024 as CMBS holdings increased by eight percent. CMBS holdings of $81 billion in 2024 constituted 21 percent of the P&C structured securities portfolio. While the potential effect of ongoing pressures in the CRE market require ongoing monitoring by industry and regulators, the P&C sector's exposure is generally limited, largely due to the considerable proportion of agency CMBS holdings. CMBS as a share

[127] The greater granularity around the mix of assets discussed in this report is based on analysis performed by the NAIC. Unless otherwise cited, the numbers in this report are drawn from S&P Global; while S&P Global's insurance industry database is based on the statutory statements from the NAIC, there may be some differences.

[128] Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry's Cash and Invested Assets Rise over 5% to Close in on $9 Trillion as of Year-End 2024*.

[129] Agency RMBS made up 81 percent of the P&C sector's RMBS holdings at year-end 2024, while agency CMBS comprised over 44 percent of total CMBS. *See* Wong, *NAIC Capital Markets Special Report: U.S. Insurance Industry's Cash and Invested Assets Rise over 5% to Close in on $9 Trillion as of Year-End 2024*.

of cash and invested assets has been trending downward since 2019, but remained at 3.2 percent at year-end 2024, which was flat compared to 2023. Moreover, CMBS made up 7.3 percent of policyholder surplus at year-end 2024, up very slightly from 7.2 percent at the prior year end.

The growth of other loan-backed securities (largely, CLOs) increased significantly (by almost 12 percent) in 2024. The consistent year-over-year expansion has contributed to a growing share of the sector's surplus being supported by other loan-backed securities. At year-end 2024, other loan-backed securities made up 11 percent of policyholder surplus compared to just under 11 percent at the prior year-end. The P&C sector held $125 billion of other loan-backed securities in 2024, up from $112 billion in 2023. Because CLOs are typically floating rate instruments, they are a more attractive option to investors in a higher rate environment than other fixed-income securities. However, CLOs can be complex structures and therefore relatively illiquid. The leveraged loans underlying CLOs carry credit risk and in a higher interest rate environment this may contribute to increased likelihood of default. As noted in Section II.A.2.b.i, the NAIC and state regulators have been evaluating the appropriateness of RBC charges for CLO tranches held by insurers. As insurers seek to improve capital efficiencies, higher capital requirements can potentially restrain growth of CLO portfolios or moderate the risk that these securities may contribute to portfolio liquidity.

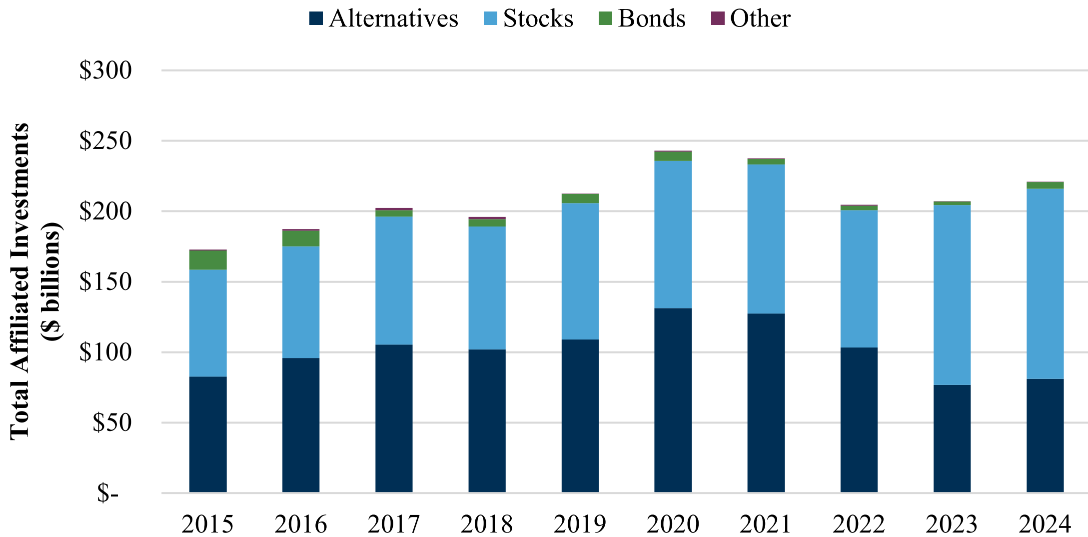
Notwithstanding the growth in structured securities, high quality bonds still make up the overwhelming percentage of the P&C sector's portfolio of fixed-income securities, representing 96 percent of total bonds, which contributes to the strength of the sector's liquidity profile. Investment-grade bonds were $1.5 trillion and $1.3 trillion in 2024 and 2023, respectively. They have comprised at least 95 percent of the P&C sector's bond portfolio in each of the last 10 years and averaged close to 60 percent of aggregate cash and invested assets. Moreover, the ratio of investment-grade bonds to policyholder surplus was 1.36 at year-end 2024 (compared to 1.29 at year-end 2023), illustrating the sector's continuing quality of capital.

Affiliated Exposures

As in the case of the L&H sector, affiliated holdings can be a potential source of liquidity risk for the P&C sector. In addition to potential liquidity risk, the interconnectedness of these holdings can also have adverse implications for the holder through the amplification of external shocks and potential contagion risk. P&C affiliated holdings were $221 billion and $207 billion in 2024 and 2023, respectively, and their growth averaged three percent annually between 2015 and 2024. As a share of the sector's investment portfolio, affiliated cash and investments constituted nearly nine percent at both year-end 2024 and year-end 2023.

Figure 43 shows the growth and shift in the composition of affiliated investments in the P&C sector over the past 10 years. Following several years on a declining trend, total affiliated investments increased by seven percent in 2024. Affiliated alternatives, including joint ventures, surplus debentures, collateral loans, private equity funds, and residual interests, totaled $81 billion in 2024 as compared to $77 billion in 2023. Affiliated common stock was the largest category of affiliated investments in 2024 at $126 billion, up six percent from $119 billion at the end of 2023.

Figure 43: P&C Sector Affiliated Exposures



Source: S&P Global

Note: "Other" consists of cash and short-term investments and mortgage loans.

While affiliated investments continue to be monitored by industry and regulators, the overall positive level and growth trends of unaffiliated holdings are a mitigant to the risks described above. Unaffiliated cash and invested assets averaged two times surplus levels each year between 2015 and 2024. Moreover, unaffiliated bond holdings accounted for close to two-thirds of the P&C sector's unaffiliated investment portfolio on average in each of the last 10 years, contributing stable cash flows against underwriting results. Additionally, more than 22 percent of this asset category on average over the last 10 years was allocated to unaffiliated common stock investments, helping to establish a marketable source of funding to cover unexpected liquidity needs.

4. Market Performance

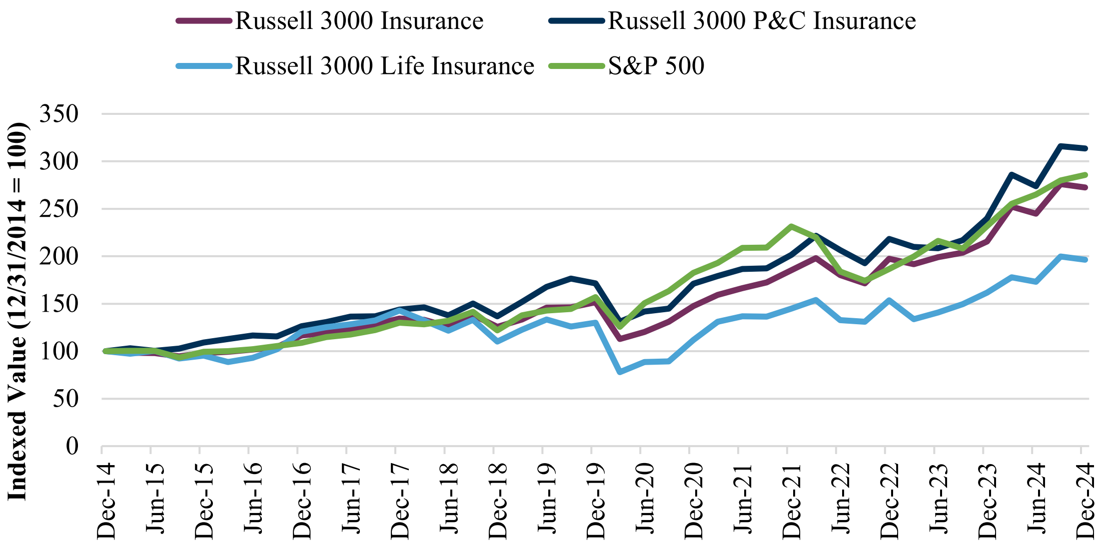
Stock price movements are indicators of investors' perceptions about the recent financial results and future financial prospects of a firm, an industry sector, or, in a broader context, the general economy. The following discussion considers the price performance of stock indices for the broader domestic insurance industry and the L&H and P&C sectors, as compared to the performance of the S&P 500, between 2015 and 2024.[130]

For the 10-year period ending December 31, 2024, the broader insurance industry stocks slightly underperformed the S&P 500, while the L&H sector stock price index substantially underperformed, and the P&C sector stock price index significantly outperformed the market, as

[130] In 2023, S&P Global discontinued the SNL insurance stock price indices that were used in previous FIO annual reports. In order to capture a representative sample of insurance company equities, beginning with the 2023 Report, FIO is utilizing the Russell 300 P&C Insurance Index, the Russell 3000 L&H Insurance Index, and the Russell 3000 Insurance Index; this data is sourced from Bloomberg, LP. For comparison to the broad market, the S&P 500 Index will continue to be used and is sourced from S&P Global.

shown in Figure 44. In that period, the broader insurance industry index gained 173 percent, the L&H index appreciated 96 percent, the P&C index gained 214 percent, and the S&P 500 increased by 186 percent. Over most of the period, the L&H index consistently underperformed the broader market. The P&C sector fared slightly better, generally performing in-line with the broader market until mid-2020, then underperforming during the Covid-19 pandemic, and outperforming between early 2022 and year-end 2024. In 2024, results were generally consistent with the longer-term trend above as the L&H stock index gained 22 percent and the P&C stock index gained 31 percent compared to appreciation of 23 percent for the S&P 500.

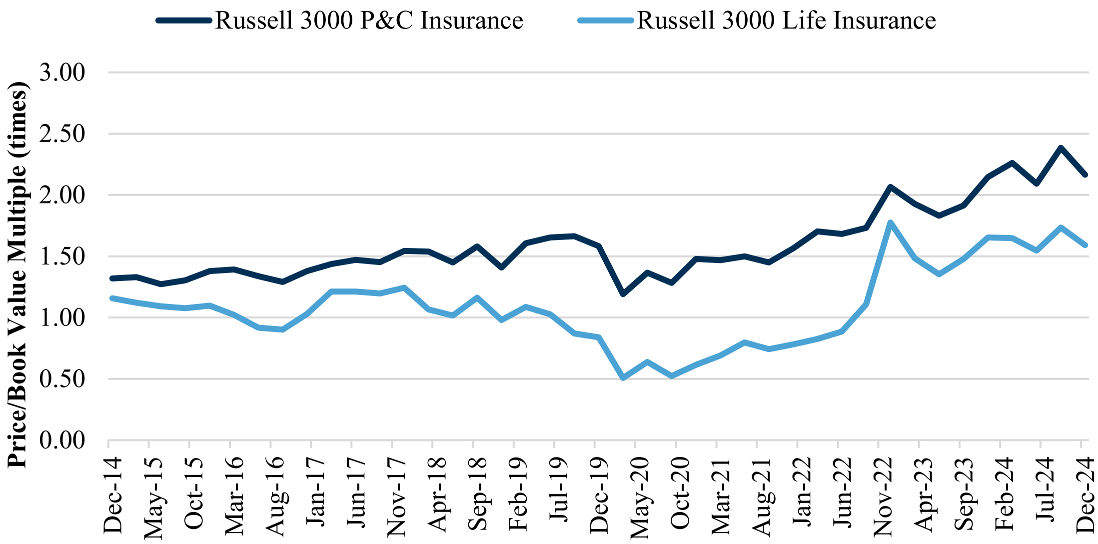
Figure 44: Insurance Industry Stock Price vs. S&P 500



Source: Bloomberg LP and S&P Global

The price-to-book value multiple, which compares on a per-share basis the market value of a firm to its book value (i.e., reported stockholders' equity on its balance sheet), is a commonly used metric to measure valuation. If a share of an insurer's stock is selling for less than its book value per share, the market is valuing the firm at less than its assets minus its liabilities (net worth); the converse is true if the stock is trading at a premium to its book value. Figure 45 compares L&H sector and P&C sector price-to-book value ratios from year-end 2014 through year-end 2024. At the end of 2024, the index of stocks of L&H insurers stood at a slightly lower premium of 1.59 times its book value versus 1.65 times at the end of 2023, while the index of stocks of P&C insurers increased slightly to 2.17 times book value, compared to 2.15 times in 2023. Notably, the price-to-book ratio for the L&H sector had been at a discount since mid-2019 and returned to a premium in the latter half of 2022 as interest rates began to rise.

Figure 45: Insurer Price/Book Value Ratios



Source: Bloomberg LP

5. Domestic Market Outlook

Full year 2025 insurance industry results will be reviewed by FIO in next year's *Annual Report on the Insurance Industry*. For the insurance industry, domestic GDP growth of 2.8 percent in 2024 provided an environment that contributed to premiums growth.[131] Further, 2024 was a year of elevated but stable interest rates that contributed to the growth and profitability of insurers.

In the L&H sector, annuity sales continued to grow in the first half of 2025, increasing three percent year-over-year to a new record of an estimated $223 billion. Notably, annuity sales of an estimated $116 billion in the second quarter set a new quarterly record.[132] Other product lines (e.g., individual and group life insurance and A&H) also exhibited premiums growth. Favorable demographics, economic resilience, and the potential for lower interest rates in the second half of 2025 could provide a boost to annuity sales. Several of the largest U.S. life insurers reported increases in operating income for the second quarter of 2025.[133] The use of asset-intensive, or funded, reinsurance will likely continue in 2025. Despite elevated interest rates, the sector will likely continue to seek increased investment yield, thereby exposing surplus to potential liquidity and credit risks.

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[131] Bureau of Economic Analysis, "Gross Domestic Product, 4th Quarter and Year 2024 (Third Estimate)," news release, March 27, 2025, https://www.bea.gov/news/2025/gross-domestic-product-4th-quarter-and-year-2024-third-estimate-gdp-industry-and.

[132] LIMRA, "U.S. Annuity Sales Set New Record in First Half of 2025," news release, July 28, 2025, https://www.limra.com/en/newsroom/news-releases/2025/limra-u.s.-annuity-sales-set-new-record-in-first-half-of-2025/.

[133] Hailey Ross, "US Life Insurance Q2'25 Earnings Recap: AI, New 401(k) Options, Strategic Moves," *S&P Global Market Intelligence*, August 21, 2025, https://www.capitaliq.spglobal.com/apisv3/spg-webplatform-core/news/article?id=92062358&KeyProductLinkType=23.

The P&C sector posted strong first half 2025 results, benefiting from below-average catastrophe losses and significant underwriting gains in personal auto lines.[134] The second quarter combined ratio of approximately 94.2 percent was the lowest in a second quarter in 18 years.[135] Other lines of business (e.g., residential and commercial property, inland marine, private auto, and workers' compensation) also recorded favorable results.[136] The P&C sector will likely continue to benefit from economic resilience and near-term interest rates, boosting investment income and earnings. However, higher reinsurance costs and increased replacement and labor costs may negatively impact results.

The NAIC and state regulators are taking steps to enhance policyholder protection for the L&H sector through regulatory initiatives intended to provide greater transparency into insurer investments and offshore reinsurance activities, align complexity risk of assets with the existing capital framework, and improve the capital framework. For the P&C sector, rate increases are likely to slow, and increased replacement and repair costs may hinder improvements in underwriting results.

B. Capital Markets Activity

1. Financings

The U.S. insurance industry continued to access the capital markets throughout 2024. Sixteen insurer-related public equity offerings were completed during 2024, with an aggregate value of $3.9 billion.[137] This level of activity marks a modest increase from 2023, during which 14 deals valued at $3.2 billion were completed. Following no initial public offering (IPO) activity in 2023, there was one IPO in 2024 (Bowhead Specialty Holdings, Inc.), valued at $147 million. American International Group (AIG) followed its 2022 spin-off of its life insurance, retirement, and wealth management operations into Corebridge Financial, Inc. with approximately $2 billion of further sales in 2024 of its remaining equity in Corebridge. Notably, the AIG sales of Corebridge equity represented slightly more than half of the aggregate equities transaction value in 2024. AIG also sold $2.8 billion of Corebridge equity in 2023.

Debt markets continued to be the preferred source of additional capital for insurers in 2024. U.S. insurers raised an aggregate $72.5 billion in 130 separate debt offerings in 2024.[138] Despite the higher interest rate environment over 2023, the aggregate value of debt issued by U.S. insurers increased by 38 percent in 2024 from the $52.6 billion raised in 88 offerings in 2023. Activity in 2024 was on par with that experienced in 2022. The largest single debt offering was a $2.8 billion issue sold by UnitedHealth Group Inc., which was also the largest issuer of total debt at

[134] Tim Zawacki, "US P&C Insurers Approached Peak Profitability in Stellar Q2," *S&P Global Market Intelligence*, August 20, 2025, https://www.capitaliq.spglobal.com/apisv3/spg-webplatform-core/news/article?id=92111567&KeyProductLinkType=18

[135] Tim Zawacki, "US P&C Insurers Approached Peak Profitability in Stellar Q2."

[136] Tim Zawacki, "US P&C Insurers Approached Peak Profitability in Stellar Q2."

[137] All data in this section with respect to financings is sourced from S&P Global, as collected and calculated by FIO. The data include Bermuda-based holding companies for which primary insurance underwriting subsidiaries are domiciled in the United States.

[138] Foreign currency-denominated transactions converted to U.S. dollars by S&P Global.

$18 billion sold over the year. Elevance Health, Inc. was the second-largest issuer of debt, raising $7.8 billion. In the aggregate, the funds raised by the top five issuers of debt accounted for 59 percent of the 2024 industry total, up from 52 percent for the top five debt issuers in 2023.

2. Mergers & Acquisitions of U.S. Insurers

In 2024, there were 43 merger and acquisition (M&A) transactions announced involving U.S. insurance companies, with a total value of $17.8 billion.[139] Inflationary pressures and higher interest rates dampened M&A activity in 2024, as the number of deals dropped 17 percent from the 52 transactions in 2023. However, the aggregate value of the 2024 transactions increased noticeably from the $10.1 billion aggregate value total in 2023. Among the 2024 transactions, the L&H sector saw 11 deals with an aggregate value of $11.1 billion, nearly double the value of L&H deals in 2023, while the 32 transactions in the P&C sector amounted to a 54 percent increase in aggregate value over the previous year to $6.7 billion. The largest transaction in 2024 was Nippon Life's late-year $8.2 billion acquisition of the remaining interest in Resolution Life, which accounted for 46 percent of the total industry aggregate deal value.

3. Alternative Risk Transfer Insurance Products

Alternative risk transfer markets increase the U.S. insurance industry's ability to supply insurance by using the capital and derivatives markets to attract investors from outside the industry, allowing insurers to transfer risk away from themselves to other parties. The primary areas of alternative risk transfer include: (1) risk securitization through insurance-linked securities (ILS), such as catastrophe bonds (cat bonds), collateralized reinsurance (reinsurance that is fully collateralized by investors of third-party capital), or reinsurance sidecars, which allow investors to take on the risks and benefits from specific books of insurance or reinsurance business; (2) risk trading mechanisms such as industry loss warranties, which allow an entity to gain coverage based on the total insured loss experienced by the entity's industry rather than the entity's own losses from a specified event; and (3) instruments used to transform capital market risks into reinsurance, such as transformer vehicles—entities that bridge the capital and reinsurance markets and can convert derivative contracts into insurable interest.[140]

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[139] All data in this section with respect to M&A transactions is from Barry Chen, *et al.*, *2025 Insurance M&A Outlook* (2024), https://www.deloitte.com/content/dam/assets-shared/docs/industries/financial-services/2025/us-2025-insurance-m-and-a-outlook_US%20final.pdf?icid=top_/content/dam/assets-shared/docs/industries/financial-services/2025/us-2025-insurance-m-and-a-outlook_US%20final.pdf. Transactions for 2024 were those announced between January 1, 2024, and December 31, 2024, and were either completed during the year or remained pending at the end of 2024. Transactions include acquisitions of whole companies, assets, or minority interests in instances where a U.S-domiciled insurer was either the buyer or seller.

[140] *See, e.g.*, "What Is an Alternative Risk Transfer?," Artemis, https://www.artemis.bm/library/what-is-alternative-risk-transfer/; Alex Wright, "Insurance-Linked Securities and Collateral: An Essential Overview," *Captive.com*, May 29, 2024, https://www.captive.com/articles/insurance-linked-securities-and-collateral-an-essential-overview; "What Is a Reinsurance Sidecar?," Artemis, https://www.artemis.bm/library/what-is-a-reinsurance-sidecar/; AM Best, *Evaluating Reinsurance/Insurance Transformer Vehicles* (2024), 1, https://www3.ambest.com/ambv/ratingmethodology/OpenPDF.aspx?ubcr=2&rc=227390; FIO, *Annual Report on the Insurance Industry* (2018), https://home.treasury.gov/system/files/311/2018_FIO_Annual_Report.pdf.

Alternative risk transfer mechanisms, which have become increasingly attractive to investors as well as insurers looking to transfer risk, remained in high demand in 2024. The estimated capacity level for the ILS market segment was $107 billion at the end of 2024, attributed to retained earnings and new capital inflows.[141] Cat bonds issuance increased by eight percent from 2023 to reach a new annual high of $17.7 billion, while the outstanding cat bond market reached a new high of $49.5 billion—a 10 percent increase from 2023.[142] Bonds covering natural catastrophe risk continued to make up the largest segment of the cat bonds market.[143] Despite growing relevance and demand, the market for cyber cat bonds remained small (at approximately $1 billion in outstanding issuances) and faced scaling constraints attributed to structural complexity, limited market depth, and investor uncertainty.[144] Still, as demand for cyber insurance coverage increases, there may be an appetite for finding innovative solutions to allow for greater transfer of peak cyber insurance risks to capital markets.[145] Beyond cat bonds, capacity in the sidecar space increased in 2024 and was estimated to range from $8 to $10 billion; industry loss warranty capacity remained flat, estimated at between $5 and $7 billion; and collateralized reinsurance capacity was estimated to range from $45 billion to $50 billion.[146]

Reinsurance Sidecars

Reinsurance sidecars—which are separate legal entities that insurers (or reinsurers) create in order to share risks with investors in exchange for a percentage of the insurer's premiums—are similar to vehicles that issue cat bonds, with a notable difference being that sidecars issue both equity and debt. Sidecars have become more common in the U.S. life and annuity insurance space in recent years as a useful tool for insurers to access third-party capital and de-risk their balance sheets. Sidecars can be used for in-force block reinsurance, flow reinsurance for new

[141] Diana Bui, "ILS Market Worldwide Hits Record US$107 bn in 2024," *Captive Insurance Times*, March 24, 2025, https://www.captiveinsurancetimes.com/captiveinsurancenews/industryarticle.php?article_id=9600&navigationaction=industrynews&newssection=industry; A.M. Best, "Best's Special Report: ILS Market Posts Stellar Returns Yet Again in 2024," news release, March 17, 2025, https://news.ambest.com/newscontent.aspx?refnum=264855&altsrc=174.

[142] Artemis, *Q4 2024 Catastrophe Bond & ILS Market Report* (2024), 17, https://www.artemis.bm/wp-content/uploads/2025/01/catastrophe-bond-ils-market-report-q4-2024.pdf; "Catastrophe Bonds & ILS Issued and Outstanding by Year," Artemis, https://www.artemis.bm/dashboard/catastrophe-bonds-ils-issued-and-outstanding-by-year/.

[143] Andy Palmer, "Catastrophe Bonds: An Innovative Way to Narrow the Insurance Gap," *The Actuary*, July 4, 2025, https://www.theactuary.com/2025/07/04/catastrophe-bonds-innovative-way-narrow-insurance-gap.

[144] Jack Willard, "Cyber ILS Faces Scaling Constraints Despite Growing Relevance: S&P," *Artemis*, June 4, 2025, https://www.artemis.bm/news/cyber-ils-faces-scaling-constraints-despite-growing-relevance-sp/; Palmer, "Catastrophe Bonds: An Innovative Way to Narrow the Insurance Gap."

[145] *See* The Geneva Association, *Catalysing Cyber Risk Transfer to Capital Markets: Catastrophe Bonds and Beyond* (2024), 7, https://www.genevaassociation.org/sites/default/files/2024-12/cyber_ils_report_1213.pdf; Aon, *ILS Annual Report* (2024), 11, https://www.aon.com/getmedia/154b74d4-b861-45a5-a14c-bc258c88d19f/20240830-ils-annual-report-2024.pdf.

[146] A.M. Best, "Best's Special Report: ILS Market Posts Stellar Returns Yet Again in 2024;" Bui, "ILS Market Worldwide Hits Record US$107 bn in 2024."

business, and pension risk transfer, among other strategic uses. Sidecars may also allow third parties to provide other benefits, such as asset management services.[147]

Parametric Insurance

Parametric insurance is a smaller, but growing, risk transfer mechanism that insures a policyholder against the occurrence of a specific event by paying a set amount based on the qualities of the event itself, as opposed to paying based on the losses stemming from the event.[148] Projected growth for parametric insurance is attributed to several factors, including among other things (1) the adoption of new advanced technologies that allow for enhanced precision and efficiency of parametric products; (2) a growing need for risk management; (3) an increase in consumer awareness of parametric products; and (4) a favorable regulatory environment.[149]

As parametric policies increase in popularity, states are developing regulations to integrate them into existing legal frameworks. For example, in December 2024, New York became one of a handful of states to pass legislation defining parametric insurance and establishing the disclosure and licensing requirements associated with parametric insurance products.[150] In 2024, Vermont—the state with the largest number of captive insurers—amended its laws to permit captives to write parametric policies.[151]

Parametric insurance has also become an attractive solution for states and local communities looking to protect their residents from natural catastrophe risk.[152] In 2024, for example, the California Department of Insurance was developing a pilot community-based flood program in a small town in Sacramento County.[153]

C. Residential Insurance

This section focuses on insurance availability and affordability issues in the context of residential insurance, a focus which aligns with the Administration's priority of defeating the cost-of living

[147] *See, e.g.*, Apex Group, *The Mechanics of Reinsurance Sidecars: A Deep Dive into Insurance-Linked Securities* (2023), 3-4, https://www.apexgroup.com/media/4p2bjze4/the-mechanics-of-sidecars-ebook-final.pdf; Prannoy Chaudhury, "Life & Annuity Reinsurance Sidecars: From Sidebar to Headline Topic," *Milliman*, February 22, 2024, https://www.milliman.com/en/insight/life-annuity-sidecars-sidebar-to-headline.

[148] "What is Parametric Insurance?," Insurance Business, last updated May 9, 2024, https://www.insurancebusinessmag.com/us/news/breaking-news/what-is-parametric-insurance-114901.aspx.

[149] "Parametric Insurance Market Set for Significant Growth," Captive.com, August 2, 2024, https://www.captive.com/news/parametric-insurance-market-set-for-significant-growth-projections-to-2032.

[150] New York Assembly Bill A10344 (enacted December 13, 2024).

[151] *See, e.g.*, State of Vermont Agency of Commerce and Community Development, "Vermont Prioritizes Quality Regulation in Legislature as Yearly Tradition," news release, May 21, 2024, https://accd.vermont.gov/press-releases/vermont-prioritizes-quality-regulation-legislature-yearly-tradition.

[152] Jeff Dunsavage, "Parametric Insurance Gains Traction Across U.S.," *The Triple-I Blog*, February 12, 2025, https://insuranceindustryblog.iii.org/parametric-insurance-gains-traction-across-u-s/.

[153] *See, e.g.*, Kenneth Araullo, "California Launches First-Ever Community-Based Flood Program," *Insurance Business*, October 18, 2024, https://www.insurancebusinessmag.com/us/news/catastrophe/california-launches-firstever-communitybased-flood-program-510367.aspx.

crisis.[154] Treasury hosted a roundtable in May 2025 with representatives from the insurance sector, including insurers, reinsurers, brokers, state regulators, resilience and consumer groups, and academics to discuss ways to lower costs and maintain availability of homeowners insurance.[155] The section begins by discussing standard insurance market policies, including commercial insurance for condos and rental properties as well as homeowners insurance for single-family homes. It concludes by discussing how residential insurance may be provided through residual markets.

1. Multi-Resident, Multifamily, and Single-Family Homeowners Insurance

A range of factors may affect the increasing cost and decreasing availability of residential insurance, including rising replacement and building costs; elevated reinsurance costs; the movement of people into riskier areas; exposure to natural catastrophes; regulation; and litigation-related costs.[156]

Unlike insurance for single-family homes, insurance coverage for multi-resident developments such as condos, co-ops, and homeowners associations (collectively, condo association insurance) and insurance coverage for multifamily rental properties is split between (1) a master policy taken out by the owner, operator, or board of directors that covers the building, shared contents and amenities, and general liability and (2) policies taken out by tenants or unit owners that cover personal property and liability within an individual unit.

Condo boards face challenges finding or affording insurance due to more restrictive terms, tightened underwriting requirements, and increased prices.[157] Condo insurance market challenges were also exacerbated by the deadly 2021 Surfside Condominium collapse in Florida. Many insurers raised insurance premiums after the collapse, which were passed on to unit owners (subject to some state laws restricting the rate of increases).[158] The difficulty of securing master policies—together with higher fees, special assessments, and inadequate reserve funds—all affect the real estate market for condos by making it more difficult to sell individual units.

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[154] *See, e.g.*, *Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis*, 90 Fed. Reg. 8,245 (Presidential Memorandum of January 20, 2025).

[155] Treasury, "U.S. Department of the Treasury Hosts Roundtable on Opportunities to Lower Costs and Maintain Availability of Homeowners Insurance," news release, May 2, 2025, https://home.treasury.gov/news/press-releases/sb0128.

[156] *See, e.g.,* NAIC, *Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report: Data for 2022* (May 2025), https://content.naic.org/sites/default/files/publication-hmr-zu-homeowners-report.pdf; "Sigma 1/2025: Natural Catastrophes: Insured Losses on Trend to USD 145 Billion in 2025," *Swiss Re*, April 29, 2025, https://www.swissre.com/institute/research/sigma-research/sigma-2025-01-natural-catastrophes-trend.html.

[157] Nicole Friedman, "Big Jump in Insurance Costs Strikes Condos," *Wall Street Journal,* June 17, 2024, https://www.wsj.com/personal-finance/big-jump-in-insurance-costs-strikes-condos-617c102a?mod=article_inline.

[158] The Surfside collapse triggered non-insurance related responses as well. For example, several additional states passed laws requiring reserves and structural integrity inspections for condo associations, resulting in many condo associations issuing special assessments to unit owners. *See, e.g.*, Community Associations Institute, *Summary of State Reserve Fund Laws* (2023), https://www.caionline.org/getmedia/41d346d5-aa0d-40e9-a900-b0dd23e8b0eb/Summary-of-State-Reserve-Fund-Laws-Oct-2023.pdf.

The amount of time it takes to sell a condo has been rising—and diverging from single-family homes—while the price of condos fell 1.4 percent from June 2024 to June 2025.[159]

Owners and operators of multifamily rentals, including affordable housing providers, are also facing challenges. A survey by the Federal Reserve Bank of Minneapolis (Minneapolis FRB) of owners and operators of multifamily properties in selected states found that, on average, insurance premiums doubled between 2021 and 2024.[160] A survey of more than 400 affordable multifamily rental providers found that about a third experienced premium increases of 25 percent or more from 2022 to 2023.[161] In some cases, insurance increases contributed to some survey respondents being unable to cover their operating expenses. Survey respondents also noted difficulty finding insurance as some insurers no longer are willing to cover multifamily housing generally, or affordable housing specifically.[162] The Minneapolis FRB survey also found that coverage declined as insurers imposed more coverage exclusions (e.g., wind and hail damage exclusions), and median deductibles increased by 12 percent from 2021 to 2024.[163]

Single-family homeowners continued to face challenges in 2024 finding and affording homeowners insurance as insurers raised rates or pulled back from writing policies in certain areas in response to rising insured losses and other factors. U.S. homeowners saw both insurance premiums and non-renewals increase in 2024. The national weighted average rate increase was 10.4 percent in 2024, with individual state average rate increases ranging from 1.0 percent to 22.7 percent. [164] The national weighted average nonrenewal rate rose from 1.36 percent to 2.05 percent in 2024, with the highest state average at 3.46 and 10 states with average nonrenewal rates of at least two percent in 2024 (compared to two in 2023).[165] Such premium increases and nonrenewal developments can exacerbate affordability pressures for households, leading some to forego coverage entirely.[166] In addition, such developments not only may decrease the value of

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159 Veronica Dagher, "The Condo Market is Floundering: Four Charts That Explain the Downturn," *Wall Street Journal,* July 31, 2025, https://www.wsj.com/economy/housing/condo-housing-market-trends-charts-7d19eeb8?mod=Searchresults&pos=1&page=1.

160 Christina Spicher & Libby Starling, "Rising Property Insurance Costs Stress Multifamily Housing," *Federal Reserve Bank of Minneapolis,* March 4, 2025, https://www.minneapolisfed.org/article/2025/rising-property-insurance-costs-stress-multifamily-housing.

161 NDP Analytics, *Increased Insurance Costs for Affordable Housing Providers* (2023), https://www.nmhc.org/globalassets/research--insight/research-reports/insurance/ndp-nlha-housing-provider-insurance-costs-report-oct-2023.pdf.

162 NDP Analytics, *Increased Insurance Costs for Affordable Housing Providers*.

163 Spicher & Starling, "Rising Property Insurance Costs Stress Multifamily Housing." The survey also found that average deductibles increased by more than 700 percent from 2021 to 2024, indicating that some properties greatly increased deductibles.

164 Jason Woleben, "US Homeowners Rates Rise by Double Digits for 2nd Straight Year in 2024," *S&P Global*, January 21, 2025, https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/1/us-homeowners-rates-rise-by-double-digits-for-2nd-straight-year-in-2024-87061085.

165 NAIC, "Market Conduct Annual Scorecard: Homeowners – Ratio 4 – Non-renewals to Policies in Force," https://content.naic.org/mcas_data_dashboard.htm; S&P Global.

166 *See, e.g.*, U.S. Census Bureau, "Selected Monthly Owner Costs as a Percentage of Household Income in the United States," American Community Survey 1-Year Estimates, Table B25070, 2023, https://data.census.gov/cedsci/table?q=B25070&y=2023; Chris Taylor, "The Risky Economics of 'Going Bare'

homes, which is the largest financial asset for many Americans, but also exacerbate housing affordability challenges..

Both single-family homeowners and multi-resident developments use a range of strategies to control insurance costs.[167] One strategy is to undertake resiliency measures, such as updating roofs, installing sprinklers, and using different construction materials (see also Box 5).

Box 5: Resilience

Preparing for catastrophic events through robust building design, hazard-specific retrofitting, and local risk-reduction activities plays an important role in reducing the frequency and severity of insured losses under P&C insurance policies and can help address insurance affordability and availability challenges. Policymakers and insurers can encourage resilient building practices by aligning premium credits, tax incentives, and mitigation grants with hazard-specific building standards. One report found that every dollar spent on hazard mitigation grants saves an average of six dollars in future disaster costs, while communities adopting the latest building codes can return as much as thirteen dollars per dollar invested.[168] Resilient building practices are most effective when tailored toward specific hazards and can lead to reduced losses. Many states offer incentives to encourage homeowners to strengthen their homes, including insurance discounts, tax deductions, and direct grants for retrofits.[169]

- **Earthquakes**: In earthquake-prone regions, bracing and bolting of pre-1970s structures improves seismic performance and attracts insurance discounts, as insurers and lenders recognize retrofits as more cost-effective than paying for the structure to be replaced after a catastrophic loss.[170] The California Earthquake Authority (CEA) has offered grants for seismic retrofits of qualifying homes.[171]

- **Wind**: Wind resilience measures such as roof reinforcements, hurricane shutters, and impact-resistant windows can cut wind losses by up to ninety percent.[172] The Insurance Institute for Business & Home Safety created the FORTIFIED program, which is a voluntary construction and re-roofing program designed to strengthen homes and commercial buildings against high

Without Homeowners Insurance," *Insurance Journal*, April 8, 2024, https://www.insurancejournal.com/news/national/2024/04/08/768381.htm.

[167] Spicher & Starling, "Rising Property Insurance Costs Stress Multifamily Housing."

[168] National Institute of Building Sciences (NIBS), *Mitigation Saves: Federal Grants Provide a $6 Benefit for Each $1 Invested* (2019), https://www.nibs.org/wp-content/uploads/2025/04/ms_v3_federalgrants.pdf; NIBS, *Mitigation Saves: Mitigation is Affordable and Saves up to $13 per $1 Invested* (2020), https://nibs.org/wp-content/uploads/2025/04/ms_v4_overview.pdf.

[169] NAIC, *Funding Resources to Promote Disaster Resilience and Mitigation* (2020), https://content.naic.org/sites/default/files/inline-files/Resiliency%20and%20mitigation%20funding.pdf.

[170] "Creating a More Resilient Earthquake Insurance Marketplace in California," Moody's Investors Service, https://www.moodys.com/web/en/us/insights/insurance/california-earthquake-authority.html.

[171] "Creating a More Resilient Earthquake Insurance Marketplace in California," Moody's Investors Service.

[172] *Building Smarter: The Benefits of Investing in Resilience and Mitigation*, before the U.S. House of Representatives Committee on Transportation & Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management, 117th Cong. (March 18, 2021), https://ibhs.org/public-policy/the-benefits-of-investing-in-resilience-and-mitigation/.

winds, hail, hurricanes, and even tornadoes. Alabama, Georgia, Mississippi, North Carolina, Oklahoma, and South Carolina provide state-specific financial incentives for upgrading structures to FORTIFIED program standards. Many other states have insurers that recognize FORTIFIED and provide credits and discounts.[173] Florida runs the *MySafe Florida* home hurricane mitigation retrofitting grant programs and was one of the first states to legislate notice of premium incentive discounts for homeowners who implement hurricane-resilient upgrades.[174]

• **Wildfire**: In wildfire-prone areas, defensible spaces, fire-resistant materials, and proactive forest-thinning practices can reduce insurer losses. California adopted the *Safer from Wildfires* program to help promote fire mitigation as well as mandate insurance discounts for these efforts.[175] Colorado adopted the *Colorado Strategic Wildfire Action Program* to provide funding mechanisms to, among other things, reduce wildfire hazards through landscape scale fuels mitigation projects.[176]

2. Residual Markets

Residual markets are often referred to as "insurers of last resort" for individuals or businesses that are unable to obtain insurance coverage through the admitted or standard market because they may be viewed as high risk. Currently, 34 states and the District of Columbia have some form of residual market, as shown in Figure 46.[177] Most residual markets are either "Fair Access to Insurance Requirements" (FAIR) plans or wind/beach plans, which generally provide policyholders with basic coverage for eligible properties but with differences in rules, perils covered, insurance coverage limits, and deductibles that vary by state.[178] Two states, Florida and Louisiana, have hybrid plans that merge their FAIR and beach plans. In addition to a FAIR plan, the CEA provides residential earthquake insurance. Colorado created the newest residual market which began issuing policies in 2025.[179] At least five states (Idaho, Montana, Nevada, South Dakota, and Utah) do not currently have a residual market mechanism but there have been discussions of potential residual markets.[180] Residual market residential plans generally cover

[173] "Financial Incentives," FORTIFIED, https://fortifiedhome.org/incentives/.

[174] "Premium Discounts for Hurricane Loss Mitigation," Florida Office of Insurance Regulation, https://floir.com/property-casualty/premium-discounts-for-hurricane-loss-mitigation.

[175] California Department of Insurance, *What Does Being Safer from Wildfires Mean for my Insurance?* (April 2023), https://www.insurance.ca.gov/01-consumers/105-type/95-guides/03-res/upload/FAQ-Safer-from-Wildfire-Regulation.pdf.

[176] "Colorado Strategic Wildfire Action Program," Colorado Department of Natural Resources, https://dnr.colorado.gov/divisions/forestry/co-strategic-wildfire-action-program.

[177] *See, e.g.,* Stephen Jablonski, "The Residual Market Landscape: FAIR and Beach Plans 2019-2023" (presentation, NAIC, Indianapolis, IN, March 25, 2025), available in NAIC/CIPR, "Back to Basics: Residual Property Markets," 22, https://content.naic.org/sites/default/files/inline-files/2025 SpNM_CIPR_residual_property_markets to post.pdf.

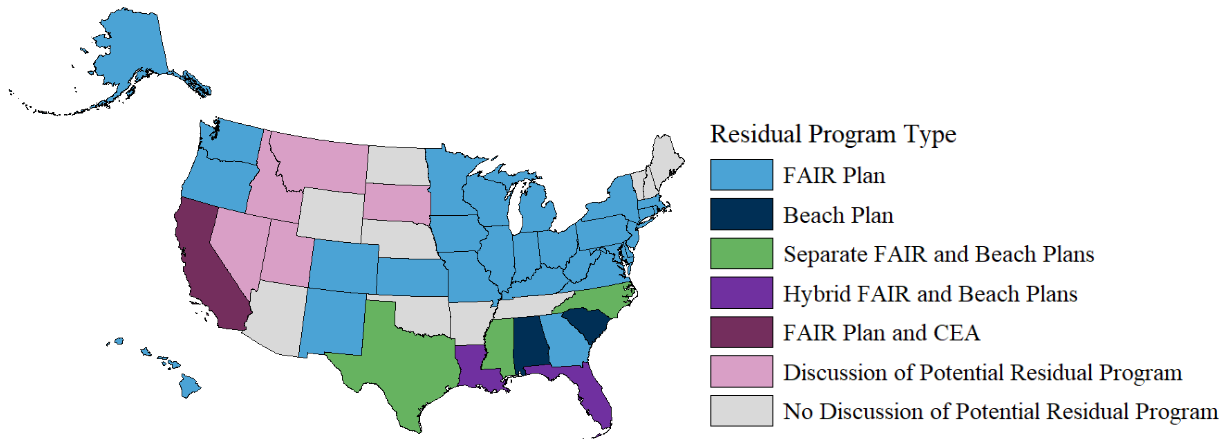
[178] Property Insurance Plans Service Office (PIPSO), *2022 PIPSO Report* (2022), 4, available through https://pipso.com/publications/; PIPSO, *2025 PIPSO Report* (2025), available through https://pipso.com/publications/.

[179] *See* "What is the FAIR Plan?" Colorado Department of Regulatory Agencies Division of Insurance, https://doi.colorado.gov/insurance-products/homeowners/renters-insurance/fair-access-to-insurance-requirements-fair-plan.

[180] Jablonski, "The Residual Market Landscape: FAIR and Beach Plans 2019-2023."

fewer perils at a higher price than what the most common multiperil policies in the standard market offer.[181] Residual market insurers generally cover fire and wind damage (and sometimes damages from other severe weather events like hail), but they do not cover flood damages.

Figure 46: Residual Markets - Types



All residual market insurers offer residential policies and most offer commercial policies (under which insurance for apartment buildings and condo associations may be offered).[182] In 2024, residential policies comprised almost 98 percent of all policies issued by residual market insurers.[183] Homeowners insurance policies, however, comprised only 43.8 percent of those residential policies—in part because only 18 residual insurers offered them—with the remainder comprised of dwelling fire policies, condo policies, renters policies, or other types of residential policies.[184] Between 2019 and 2024, the total number of residential policies in residual markets increased 77 percent to 3.2 million policies, with the growth primarily in five states: California, Florida, Louisiana, North Carolina, and Texas; relatively smaller increases occurred in three other states (Alabama, Oregon, and Washington), while the number of residential policies in other states' residual market plans declined.[185] The two residual markets with the largest number

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[181] Nine residual market plans (in Florida, Illinois, Louisiana, Massachusetts, Michigan, North Carolina (FAIR and beach plans), Ohio, and Rhode Island) offer policies that are roughly equivalent to the most common homeowners policy form. *See, e.g.*, PIPSO, *Compendium of Property Insurance Plans* (2022), available through https://pipso.com/publications/. While deductibles vary by plan, some plans require named peril percentage deductibles forcing policyholders to retain more of the risk of loss.

[182] Only two residual markets—the FAIR plans of Hawaii and Mississippi—do not offer general commercial policies; Hawaii has reactivated the Hawaii Hurricane Relief Fund to provide insurance coverage for condominium and townhouse associations. *See, e.g.*, PIPSO, *2025 PIPSO Report*; Hawaii Department of Commerce & Consumer Affairs, "Hawaii Hurricane Relief Fund Now Accepting Applications," news release, June 27, 2025, https://cca.hawaii.gov/ins/hawaii-hurricane-relief-fund-now-accepting-applications/#.

[183] PIPSO, *2025 PIPSO Report*, Exhibit A4 and Exhibit 8.1 (showing in 2024, Beach Plans issued 587,462 residential policies out of the total 609,075 policies issued, and FAIR Plans issued 2,630,055 residential policies out of the total 2,684,925 policies issued).

[184] PIPSO, *2025 PIPSO Report*, at 4, Exhibit A4, and Exhibit 8.1.

[185] *2025 PIPSO Report* at Exhibit A4 & Exhibit D4; "Insurance Provided by Fair Plans by State," III, https://www.iii.org/table-archive/20793 (archived tables based on PIPSO reports' data); "Insurance Provided Beach and Windstorm Plans," III, https://www.iii.org/table-archive/21303 (archived tables based on PIPSO reports' data).

of residential policies in force are Florida's Citizens Property Insurance Corporation (Florida Citizens) and the California FAIR Plan.

a) Florida Citizens

While the number of personal residential policies issued by Florida Citizens almost tripled between 2019 and the third quarter of 2024 to almost 1.25 million policies,[186] in the final quarter of 2024 the number of policies declined significantly to 924,732 policies through the Florida Citizens Depopulation Program. This program transferred thousands of policies to private insurance companies following approval from the Florida Office of Insurance Regulation.[187] As of June 30, 2025, the number of personal residential policies issued by Florida Citizens had further declined significantly to 769,845 policies.[188]

Like other residual market plans, Florida Citizens relies initially on the premiums that it collects and its reserves to pay claims. Florida Citizens also relies upon reinsurance from both the Florida Hurricane Catastrophe Fund and from private reinsurers primarily through two Bermuda-based vehicles that issue cat bonds.[189] If the losses to be covered by Florida Citizens exceed its premiums, reserves, and reinsurance, then it may cover those losses through surcharges on its policyholders, as well as through emergency assessments on private insurers and on all P&C insurance policyholders within Florida.[190] In 2024, Florida Citizens did not need to make any surcharges or assessments, even though Florida was hit by three hurricanes that year.

b) California FAIR Plan

The California FAIR Plan reported having 451,799 dwelling policies in force with total written premiums of $1.27 billion on September 30, 2024.[191] As of June 30, 2025, the California FAIR Plan reported that the number of dwelling policies in force had grown to 590,642 with total written premiums of $1.64 billion, a 29.8 percent increase in just nine months.[192] The number of

[186] Florida Citizens, *Florida Residential Property Market Share September 30, 2024 Report* (2024), https://www.citizensfla.com/documents/20702/93160/20240930+Market+Share+Report.pdf/1cef5d5e-bd2c-5669-e3ef-405a63cf39eb?t=1734652793915, 12.

[187] Florida Citizens, *Florida Residential Property Market Share December 31, 2024 Report* (2025), 12, https://www.citizensfla.com/documents/20702/93160/20241231+Market+Share+Report.pdf/9a9309c9-dbdc-fce4-e851-0c9904ce27ac?t=1747070500226; Florida Citizens, "Citizens' Policy Count Drops Below 1 Million," news release, December 4, 2024, https://www.citizensfla.com/documents/20702/30144558/20241204+Policy+Count+below+1M.pdf/4421346d-cd2d-21f6-56cc-0668abab1bca?t=1733334927494.

[188] "Current Policy Count as of June 30, 2025," Florida Citizens, https://www.citizensfla.com/-/20250630-policies-in-force.

[189] *See, e.g.*, Steve Evans, "Florida Citizens Targets $2.94bn of New Reinsurance and Cat Bonds for 2025," *Artemis*, March 11, 2025, https://www.artemis.bm/news/florida-citizens-targets-2-94bn-of-new-reinsurance-and-cat-bonds-for-2025/.

[190] "Assessments," Florida Citizens, https://www.citizensfla.com/assessments.

[191] "Key Statistics & Data," California FAIR Plan Property Insurance (CA FAIR Plan), https://www.cfpnet.com/key-statistics-data/ (CA FAIR Plan Key Statistics).

[192] "Key Statistics," CA FAIR Plan.

dwelling policies increased by 154 percent between the end of the California FAIR Plan's 2021 fiscal year end on September 30, 2021 and June 30, 2025.[193]

The funds that the California FAIR Plan has available to pay claims from its policyholders come from (1) reserves from cash on hand from premiums that has not already been allocated to incurred claims and expenses, (2) reinsurance, and (3) assessments on member P&C insurers. All three methods have been used in connection with the Palisades and Eaton fires in Los Angeles in January 2025, which have significantly impacted the California FAIR Plan, as well as many private homeowners insurers.[194] As of May 2025, the California FAIR Plan reported that it had received more than 5,000 claims caused by the Palisades and Eaton fires and had paid $2.7 billion in claims; its estimated total exposure was $4.8 billion.[195] On February 11, 2025, the California Insurance Commissioner approved a $1 billion assessment by the California FAIR Plan on its member P&C insurers.[196] Following the approval of this assessment, the California FAIR Plan notified each admitted market insurer of their assessment responsibility, which is based on an insurer's market share of dwelling and commercial policies.[197] The vast majority of insurers, almost 80 percent, remitted their assessment payment to the California FAIR Plan within 10 days of receiving the notice.[198] Each member insurer may seek to recoup up to 50 percent of the first $1 billion assessment from its policyholders with the approval of the California Department of Insurance.[199] If the California FAIR Plan is approved for additional

[193] "Key Statistics," CA FAIR Plan.

[194] In addition to the loss of life, the fires resulted in insured losses of up to $45 billion and total economic losses up to $275 billion. "Verisk Estimates Insured Losses for Palisades and Eaton Fires at $28B to $35B," *Insurance Journal*, January 22, 2025, https://www.insurancejournal.com/news/west/2025/01/22/809159.htm. Over 20 insurance and reinsurance groups have each reported expected losses of over $100 million from the fires. Noor Ul Ain Adeel & Tom Jacobs, "State Farm General Bears Brunt of Calif. Wildfires with Record $7.6B Cat Loss," *S&P Global*, March 7, 2025, https://www.capitaliq.spglobal.com/apisv3/spg-webplatform-core/news/article?id=87902654&redirected=1.

[195] CA FAIR Plan, "FAIR Plan Increases Transparency by Expanding Public Access to Financial and Operational Information," news release, May 23, 2025, https://www.cfpnet.com/fair-plan-increases-transparency-by-expanding-public-access-to-financial-and-operational-information/; "Update from the California FAIR Plan," California FAIR Plan, February 7, 2025, https://www.cfpnet.com/update-from-the-california-fair-plan-5/ (noting exposure of over $4 billion for the Palisades Fire and $775 million for the Eaton Fire). Exposure is the total amount of coverage provided by California FAIR Plan policies in those areas but does not necessarily equal the losses actually suffered.

[196] California Department of Insurance, "Commissioner Lara Takes Action to Ensure FAIR Plan Can Continue Paying Consumer Claims After the Southern California Wildfires," news release, February 11, 2025, https://www.insurance.ca.gov/0400-news/0100-press-releases/2025/release015-2025.cfm.

[197] CA FAIR Plan, "California FAIR Plan Takes Steps to Access Funds to Pay LA Fire Disaster Claims," news release, February 11, 2025, https://www.cfpnet.com/california-fair-plan-takes-steps-to-access-funds-to-pay-la-fire-disaster-claims/.

[198] CA FAIR Plan, "California FAIR Plan Takes Steps to Access Funds to Pay LA Fire Disaster Claims."

[199] California Department of Insurance, Bulletin 2025-4 (February 11, 2025), https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2025-4-Updated-Guidance-regarding-Insurer-Recoupment-Procedures-in-Response-to-Assessment-by-the-FAIR-Plan.pdf.

assessments above the initial $1 billion assessment, insurers would be allowed to recoup up to 100 percent of those assessments from their policyholders.[200]

Box 6: Flood Insurance

There is a relatively small private flood insurance market in the United States, which has experienced slow but steady growth. Overall, private stand-alone residential and commercial flood insurance policies only account for approximately 12 percent of stand-alone coverage in the United States when compared with the 4.7 million policies in the National Flood Insurance Program (NFIP) as of year-end 2024.[201]

A flood insurance protection gap remains in the United States, with some estimates indicating that approximately twenty million American homes face great financial risk from the peril of flood and are either not insured or underinsured.[202] Moreover, nearly one-third of NFIP claims originate from properties outside mapped high-risk areas.[203] Even though a substantial portion of flood events occur in areas considered to be at low and moderate flood risk, insurance take-up is extremely low in these areas: approximately 30 percent of homes in the highest-risk flood zones have flood insurance, with the figure dropping to around an average of 4 percent in moderate- and low-risk zones.[204]

The NFIP saw a string of high severity losses in 2024 and 2025. Hurricane Helene, a Category 4 storm that made landfall in late September 2024, caused significant inland flooding in Florida, the Carolinas, and Tennessee. Overall economic losses from the storm were estimated to be above $78.7 billion.[205] Over 58,000 NFIP claims were filed following the storm, resulting in insured losses ranging from $6.4 to $7.4 billion.[206] Just days later, Hurricane Milton generated over 21,000 additional NFIP claims, with projected insured losses ranging from $1.2 to $2.9

[200] California Department of Insurance, Bulletin 2025-4. Insurers may recoup up to 100 percent of the amount the insurer paid for the assessments in excess of $1 billion, but only if the insurer confirms that its assessment payment was not covered by reinsurance or reimbursed through other means. *Id.*

[201] NAIC, "Private Flood Data Call: State Summary," available through https://tableau.naic.org/authoring/PFloodDataCall_17243464446170/StateSummary (numbers exclude Residential Endorsements from the NAIC State Summary policies in force to reflect that NFIP policies are stand-alone, which provides a one-to-one comparison); Federal Emergency Management Agency (FEMA), "Policies in Force (PIF): Rolling 12 Months – December 31, 2024," available through https://nfipservices.floodsmart.gov/sites/default/files/nfip_pif-history-rolling-12-months_20241231.xlsx.

[202] Jahna Jacobson, "Neptune Flood: 77 % of At-Risk Homes Outside FEMA Zones Have No Flood Insurance," *Insurance Journal*, August 7, 2025, https://www.insurancejournal.com/news/national/2025/08/07/834908.htm.

[203] "What's Your Flood Risk?," *FloodSmart*, FEMA National Flood Insurance Program, https://www.floodsmart.gov/flood-zones-and-maps/what-is-my-flood-risk.

[204] Society of Actuaries, *Residential Flood Risk in the United States* (2020), https://www.soa.org/globalassets/assets/files/resources/research-report/2020/soa-flood-report.pdf.

[205] "Fast Facts: Hurricane Costs," NOAA Office of Coastal Management, last accessed July 24, 2025, https://coast.noaa.gov/states/fast-facts/hurricane-costs.html.

[206] Nataly Kramer, "Total Insured Losses Paid by the NFIP Stemming from Hurricane Helene to be $6.4-7.4 bn," *Beinsure Media*, February 14, 2025, https://beinsure.com/news/total-losses-nfip-hurricane-helene/.

billion.[207] Catastrophic flash flooding in Central Texas during the July 4 weekend in 2025 claimed over 130 lives, caused more than $20 billion in total economic losses, and exposed a significant insurance coverage gap.[208] In Kerr County, Texas, which was significantly affected by the flash floods, fewer than 2 percent of homes were covered by the NFIP.[209]

D. International Insurance Marketplace Overview and Outlook

At year-end 2024, the United States remained the world's largest single-country insurance market, with a 45 percent market share of global direct premiums written (see Figure 47).[210] U.S. market share increased by approximately 40 basis points compared to that of 2023 and is at the highest level since 2019. When viewed as a single market, the European Union's combined share of global direct premiums written (18 percent, or $1.3 trillion) is the next largest market. China remained the second-largest single-country insurance market, with 10 percent of global direct premiums written for 2024. Collectively, the 20 largest single-country insurance markets in the world accounted for 91 percent of global direct premiums written. Globally, direct premiums written increased from 2023 by over seven percent in nominal terms, and over five percent in real terms (adjusted for inflation). Global life insurance premiums rose six percent in 2024, while global non-life premiums increased by nearly five percent.[211] For the same period, global gross domestic product expanded by an estimated 3.3 percent in nominal terms and 2.7 percent in real terms.[212]

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[207] Chad Hemenway, "Update: FEMA to Borrow $2B to Pay Flood Claims After Hurricanes Helene and Milton," *Insurance Journal*, February 13, 2025, https://www.insurancejournal.com/news/national/2025/02/13/811873.htm.

[208] Jessica Gorman, "Body of Missing Woman Found as Death Toll from Texas Floods Reaches at least 136," *ABC News*, July 23, 2025. https://abcnews.go.com/US/body-missing-woman-found-2-missing-texas-after/story?id=123990782.

[209] Guy Chazan & Kristina Shevory, "Texas Communities Reel as Holiday Idyll Becomes a Disaster Zone," *Financial Times*, July 12, 2025, https://www.ft.com/content/015d57f8-3232-4f09-8468-f72aa09f82dc; Allyson Ackerman, "Millions of Texas Homes Face Flood Risk as Insurance Coverage Craters," *Houston Chronicle*, May 21, 2025, https://www.chron.com/news/article/texas-floods-insurance-fema-report-20338763.php.

[210] Roopali Aggarwal, *et al.*, *Sigma 2/2025: World Insurance: A Riskier, More Fragmented World Order* (2025), https://www.swissre.com/institute/research/sigma-research/sigma-2025-02-world-insurance-riskier-fragmented-world.html. Swiss Re sigma examines insurance and macroeconomic data from 147 countries sourced through Swiss Re Institute. Swiss Re sigma separates the insurance industry into "life" and "non-life" sectors according to standard European Union and OECD conventions; under these conventions, the "non-life" sector includes health insurance. All figures shown use amounts converted to U.S. dollars.

[211] *See* Aggarwal, *et al.*, *Sigma 2/2025*, 17.

[212] IMF, *World Economic Outlook, April 2025: A Critical Juncture and Policy Shifts* (2025), 46, 129, https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025.

Figure 47: World Market Share of Direct Premiums Written 2022-2024 for Top Twenty Markets

2023 Rank	Country	2022 Premium Volume ($ millions)	2022 World Market Share (%)	2023 Premium Volume ($ millions)	2023 World Market Share (%)	2024 Premium Volume ($ millions)	2024 World Market Share (%)	2024/2023 Premium Volume Change (%)
1	United States	2,987,988	44.1%	3,233,489	44.4%	3,496,714	44.8%	8.1%
2	China	697,806	10.3%	723,660	9.9%	791,616	10.1%	9.4%
3	United Kingdom	336,767	5.0%	453,889	6.2%	484,867	6.2%	6.8%
4	Japan	360,543	5.3%	362,719	5.0%	338,890	4.3%	(6.6%)
5	France	258,856	3.8%	263,967	3.6%	292,472	3.7%	10.8%
6	Germany	236,981	3.5%	253,823	3.5%	266,463	3.4%	5.0%
7	Canada	165,796	2.4%	172,471	2.4%	180,587	2.3%	4.7%
8	Italy	154,564	2.3%	156,891	2.2%	179,863	2.3%	14.6%
9	South Korea	192,099	2.8%	177,041	2.4%	175,690	2.3%	(0.8%)
10	India	129,765	1.9%	135,706	1.9%	141,161	1.8%	4.0%
11	Netherlands	83,875	1.2%	92,361	1.3%	98,810	1.3%	7.0%
12	Brazil	74,687	1.1%	85,722	1.2%	88,942	1.1%	3.8%
13	Taiwan	85,737	1.3%	78,077	1.1%	84,442	1.1%	8.2%
14	Spain	68,323	1.0%	82,574	1.1%	81,444	1.0%	(1.4%)
15	Australia	71,793	1.1%	75,018	1.0%	75,236	1.0%	0.3%
16	Hong Kong	66,493	1.0%	66,937	0.9%	74,468	1.0%	11.3%
17	Switzerland	56,521	0.8%	61,100	0.8%	63,065	0.8%	3.2%
18	Sweden	45,692	0.7%	44,201	0.6%	52,549	0.7%	18.9%
19	Mexico	34,230	0.5%	44,679	0.6%	50,701	0.7%	13.5%
20	Belgium	NA	NA	47,322	0.7%	49,705	0.6%	5.0%
	World	6,772,753		7,275,611		7,799,328		7.2%

Source: Swiss Re sigma, *World Insurance*

For the third year in a row, real premium growth in emerging markets outpaced growth in advanced economies. Global life insurance premiums, in real terms, grew by 6.1 percent, mainly due to a significant 13.1 percent increase for this business in emerging markets as well as 3.9 percent growth in advanced economies.[213] North American and Western European markets notably contributed to growth in advanced economies with strong annuity sales.[214] Emerging markets' life insurance and annuity sales benefited from elevated interest rates, good economic growth, positive equity markers, and regulatory developments.[215] For the non-life sector, global premium growth of 4.7 percent in real terms reflected stronger performance in both emerging

[213] Aggarwal, *Sigma 2/2025*, 40.

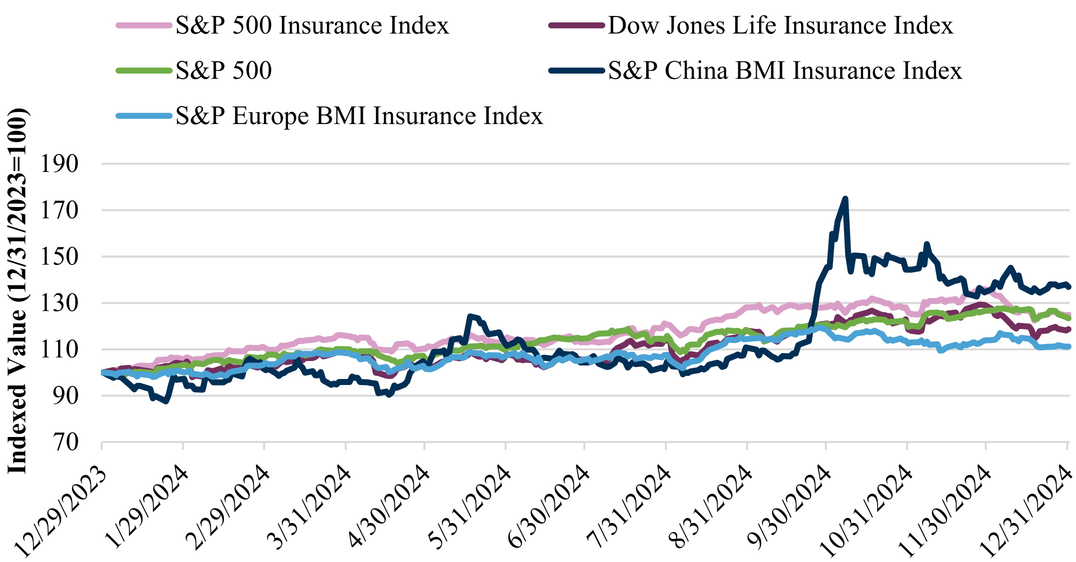
[214] Aggarwal, *Sigma 2/2025*, 40.

[215] Aggarwal, *Sigma 2/2025*, 40.

markets (up 5.8 percent in real terms) and advanced markets (up 4.5 percent in real terms).[216] Globally, 2024 was a year of record-high growth in the non-life sector, largely due to rate hardening. North American and Western European markets were also strong contributors to advanced economies' non-life premiums growth, notably in personal lines.[217] In emerging economies, slowdowns in China and India restrained overall growth.[218]

Insurance stock indices in major insurance markets outside the United States recorded positive results in 2024, with mixed performance relative to broader benchmarks (such as the S&P 500). Among the indices monitored by FIO (see Figure 48), the S&P Europe BMI Insurance Index was the worst performing, increasing by approximately 11 percent in 2024 (compared to a 24 percent increase for the S&P 500). Chinese insurer equities, as measured by the S&P China BMI Insurance Index, rebounded from a 21 percent decline in 2023 with a 37 percent gain for 2024. Domestically, the S&P 500 Insurance Index slightly outperformed the broad market, rising 25 percent for the year, although the Dow Jones [U.S.] Life Insurance Index managed only a 19 percent gain for 2024.

Figure 48: Performance of Global Insurance Indices as Compared to Broader Market Average (S&P 500)



Source: S&P Global

Looking ahead, observers expect that total world premiums written (in real terms) are likely to increase by an additional 2.0 percent in 2025, a projection which is down from 5.2 percent growth in 2024.[219] Observers further note that profits of non-life insurers in 2025 may be pressured by slower premiums growth, competitive pressures in P&C personal lines, and softer

[216] Aggarwal, *Sigma 2/2025*, 27.

[217] Aggarwal, *Sigma 2/2025*, 39.

[218] Aggarwal, *Sigma 2/2025*, 39.

[219] Aggarwal, *sigma 2/2025*, 17.

pricing on the commercial side, although investment earnings will likely drive profitability.[220] With respect to the L&H sector, the strong rate of life premiums growth in 2024 may slow in 2025. However, continued demand for low-risk savings products and risk protection products and solid investment income could bolster profitability.[221]

220 *See* Aggarwal, *sigma 2/2025*, 2, 17, 31.

221 Aggarwal, *sigma 2/2025*, 2, 31.

III. CONCLUSION

The insurance industry benefited from overall economic growth and stable, but elevated, interest rates in 2024. Top-line growth (premiums and net investment income) was strong across the L&H and P&C sectors. Despite the top-line growth, L&H operating income declined due to higher surrender activity and reserve additions, both of which were also affected by the higher interest rate environment. The P&C sector recorded significant gains in operating and net income, the effects of strong revenue growth, a strong turnaround in underwriting performance in personal lines, and increased realized capital gains. Going forward, FIO will continue to monitor the ongoing transformation in the L&H sector, AI developments in the insurance industry, and the presence of digital assets in the insurance industry, as well as macroeconomic and market trends affecting the U.S. insurance industry and consumers.