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Decline in U.S. Insurers' Emerging Markets Investments at Year-End 2024

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Executive Summary

- Based on U.S. insurers' annual statement filings with the NAIC, U.S. insurers' investment in emerging markets (EM) bonds and stocks totaled \$33 billion in book/adjusted carrying value (BACV) at year-end 2024, which was a 14% decrease from year-end 2023 and a 32% decrease from five years earlier.
- Life insurers accounted for 87% of total EM investments, and large life insurers (those with more than \$10 billion assets under management) accounted for 81% of the total.
- As in previous years, bonds comprised most of U.S. insurers' EM investments at about \$31.7 billion (more than 90%), and corporate EM bonds accounted for more than half of total EM bond investments; the largest EM corporate bond country exposure was Mexico.
- About 84% of U.S. insurers' EM bond investments at year-end 2024 had NAIC 1 and NAIC 2 designations, both indicators of high credit quality.
- EM stocks accounted for about \$1.3 billion of total EM investments; the largest EM country stock exposure was China, at slightly more than half of total EM stocks.
- According to the International Monetary Fund's World Economic Outlook (IMF WEO) dated April 2025, global growth is expected to be 2.8% in 2025; for EM economies only, growth is expected to be 3.7%.

While there is no universal definition for what constitutes emerging market countries, the International Monetary Fund (IMF) defines "emerging market and developing economies" (EMs) as non-advanced economies.¹ Using the IMF definition, the NAIC Capital Markets Bureau analyzed the U.S. insurance industry's exposure to EM countries as reported on Schedule D (bonds and stocks) in the annual statement filings. (Refer to the appendix of this report for the IMF's list of EM countries.) The countries that comprise the EMs may shift over time with changes in economic conditions; as such, EM economies can include those that might have been considered developed markets in the past.

¹ IMF, *World Economic Outlook Update*, April 2025.



EM Investments Decline by Double Digits

U.S. insurers' EM investments totaled \$33 billion in bonds and stocks at year-end 2024, representing a 14% decrease from \$38.3 billion at year-end 2023 and a 31% decrease from \$48.4 billion in 2019. (Refer to Chart 1.) Except for a small increase between year-end 2020 and year-end 2021, U.S. insurers' investments in EM have been declining over the last five years. EM investments have historically accounted for less than 1% of U.S. insurers' total cash and invested assets, and they continued this trend at year-end 2024.

Chart 1: U.S. Insurers' Historical EM Investments, 2019-2024 (\$bil. BACV)



As in prior years, life insurers accounted for the majority of U.S. insurers' EM investments, at 87% of the total, or \$28.6 billion, followed by property/casualty (P/C) insurers at 12% of the total, or about \$3.9 billion. (Refer to Table 1.)

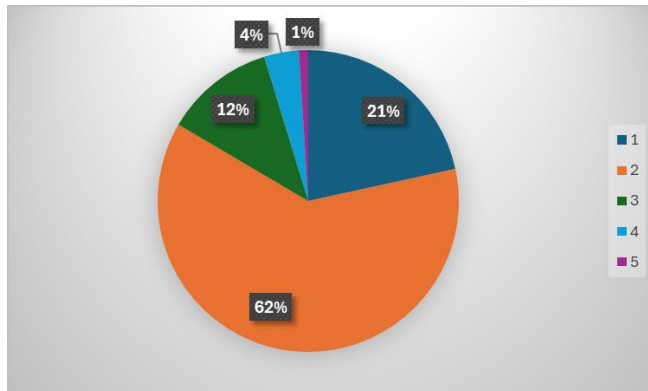
Table 1: U.S. Insurers' EM Investments by Industry Type, Year-End 2024 (\$mil. BACV)

| Statement Type | Bonds | Stocks | Total | % of Total |
|------------------|-----------------|----------------|-----------------|-------------|
| Life | 28,171.8 | 489.3 | 28,661.2 | 87% |
| P/C | 3,127.5 | 830.9 | 3,958.3 | 12% |
| Title and Health | 413.0 | 40.4 | 453.4 | 1% |
| Total | 31,712.3 | 1,360.6 | 33,072.9 | 100% |
| % of Total | 96% | 4% | | |

While total EM bond investments are a relatively small portion of U.S. insurers' total bond exposure, understanding the proportion of the exposure at a company level could provide a more accurate view of the potential risk that EM investments could pose to any given insurer. Notably, about 84% of U.S. insurers' total EM bond investments (\$26.5 billion) had NAIC 1 and NAIC 2 designations at year-end 2024 (refer to Chart 2), indicators of high credit quality. Approximately 60% of that total had NAIC 2 designations. In comparison, the percentage of NAIC 1 and NAIC 2 designations for all U.S. insurer bonds was about 95% at year-end 2024, with NAIC 2 designations accounting for about 30% of that total.



Chart 2: U.S. Insurer EM Bond Investments—NAIC Designations, Year-End 2024



Life insurers accounted for almost 90% of U.S. insurers' EM bond investments, and large life insurers (those with more than \$10 billion assets under management) accounted for 81% of the total. In general, large insurers (i.e., life, P/C, and title and health) accounted for 88% of total EM bond investments at year-end 2024.

Mexico Leads U.S. Insurers' Total EM Bond Exposure

The largest three country exposures for U.S. insurers' total EM bonds were Mexico, Chile, and Indonesia, at 23%, 11%, and 10% of total EM bonds, respectively, at year-end 2024. (Refer to Table 2.) Together, these three countries represented 44% of U.S. insurers' total EM bond investments. Approximately 81% of U.S. insurers' exposure to Mexico, or \$6 billion, is in corporate bonds, of which 95% carry NAIC 1 and NAIC 2 designations, indicators of high credit quality. In addition, over 90% of Mexico's corporate bonds were senior secured or senior unsecured at year-end 2024, implying high payment priority within the corporate bond capital structure. Sovereign debt represented about 16% of Mexico bond investments held by U.S. insurers at year-end 2024. The sovereign credit ratings for Mexico are BBB, BBB-, and Baa2 by Standard & Poor's Global (S&P), Fitch Ratings, and Moody's, respectively. Any potential U.S. insurance investor concerns related to Mexico bond investments may be allayed by the investment-grade ratings of its sovereign debt and the perceived quality of the Mexico corporate debt investments that they hold. However, the outcome of ongoing discussions between the U.S. and Mexico could potentially impact investment opinions.

**Table 2: U.S. Insurers' Top 10 EM Country Bond Exposures by Bond Type, Year-End 2024 (\$mil. BACV)**

| Country | Corporate | Sovereign | Other | Total | % of Total |
|-------------------------|-----------------|----------------|--------------|-----------------|------------|
| Mexico | 6,048.2 | 1,253.4 | 54.6 | 7,356.2 | 23% |
| Chile | 2,913.1 | 645.5 | - | 3,558.6 | 11% |
| Indonesia | 1,524.0 | 1,683.8 | 2.7 | 3,210.5 | 10% |
| United Arab Emirates | 1,394.6 | 876.5 | 5.6 | 2,276.7 | 7% |
| Peru | 824.9 | 609.7 | 2.7 | 1,437.3 | 5% |
| Saudi Arabia | 10.6 | 1,354.5 | - | 1,365.2 | 4% |
| Panama | 155.0 | 982.1 | 134.4 | 1,271.5 | 4% |
| Colombia | 304.0 | 680.7 | - | 984.7 | 3% |
| Uruguay | 83.5 | 877.6 | - | 961.1 | 3% |
| Qatar | 351.2 | 535.7 | 17.9 | 904.8 | 3% |
| Top 10 Countries | 13,609.2 | 9,499.5 | 217.9 | 23,326.6 | 74% |
| Top 10 as % of Total | 43% | 30% | 1% | | |
| Total EM Bonds | 17,228.9 | 14,077.2 | 406.2 | 31,712.3 | |

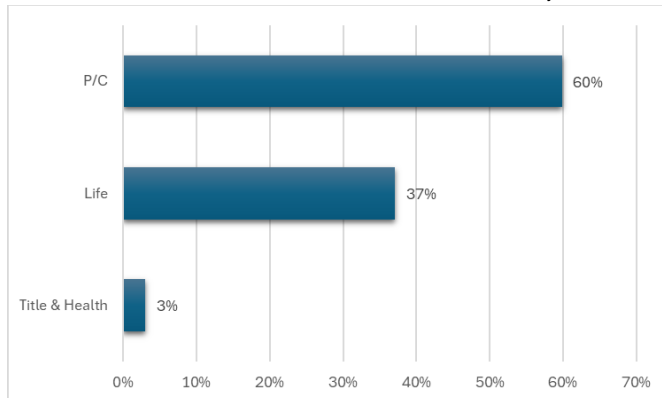
Corporate Debt Represents More Than Half of EM Bond Investments

Consistent with previous years, at year-end 2024, bonds were more than 90% of U.S. insurers' total EM investments. Corporate bonds, specifically, accounted for 54% of U.S. insurers' total EM bond investments, at \$17.2 billion, with sovereign bonds comprising almost all of the remainder. Within corporate EM bonds, the largest country exposure was Mexico at about \$6 billion, followed by Chile at \$2.9 billion. Together, these two countries accounted for half of U.S. insurers' corporate EM bonds. Sovereign EM debt totaled \$14.1 billion, with Indonesia accounting for the largest country exposure (\$1.7 billion), followed by Saudi Arabia (\$1.3 billion). Indonesia's sovereign credit ratings are BBB, BBB, and Baa2 by S&P, Fitch Ratings, and Moody's, respectively, and Saudi Arabian sovereign debt is rated A+, A+, and Aa3 by the same three credit rating agencies, respectively. The investment grade ratings of these sovereign debt exposures could allay potential credit risk concerns among insurer investors.

U.S. Insurers' EM Stock Exposure Is Less Than 5% of Total EM Investments

U.S. insurers' common and preferred unaffiliated EM stock investments totaled about \$1.4 billion and \$1.3 billion at year-end 2023 and year-end 2024, respectively. (Refer back to Chart 1.) For the five years ending 2024, EM stock exposure has ranged between \$0.6 billion (2020) and \$2 billion (2022), which is also a function of market value fluctuations for those years. With the exception of 2020, when it was closer to 1.4%, EM stocks have been approximately 4% of U.S. insurers' total EM investments between 2019 and 2024.

At year-end 2024, P/C insurers accounted for the largest share of U.S. insurers' EM stock investments at \$790 million, or 60% of the total. (Refer to Chart 3.) This follows the same trend as P/C insurers in general, accounting for the largest share of U.S. insurers' overall stock exposure, due in part to what P/C insurers often view as an attractive asset-liability match. Life insurers accounted for most of the remainder of insurers' EM stock investments at year-end 2024.

**Chart 3: U.S. Insurers' EM Stock Investments, Year-End 2024 (\$mil. BACV)**

The largest country exposure for EM stocks was with China, which accounted for slightly more than half of U.S. insurers' unaffiliated EM stock exposure, at about \$727 million. (Refer to Table 3.) While the top three EM country stock investments accounted for three-quarters of the U.S. insurance industry's total EM stocks, the top 10 countries represented 98% of insurers' total EM stock exposure at year-end 2024. Even though China stock is the largest EM country stock for U.S. insurers, exposure to it is nominal relative to the overall industry's stock investments. Therefore, such exposure likely does not represent a significant investment risk even among ongoing U.S. and China trade tensions.

Table 3: U.S. Insurers' EM Common and Preferred Unaffiliated Stocks (\$mil BACV), Year-End 2024

| Country | Life | P/C | Title and Health | Total | % of Total |
|----------------------------------|--------------|--------------|------------------|----------------|------------|
| China | 425.4 | 287.6 | 13.6 | 726.7 | 55% |
| Egypt | - | 181.5 | - | 181.5 | 14% |
| Mexico | 0.2 | 116.0 | 3.6 | 119.8 | 9% |
| India | 38.1 | 53.1 | 3.5 | 94.6 | 7% |
| Gibraltar | - | 39.2 | - | 39.2 | 3% |
| Jordan | - | 37.9 | - | 37.9 | 3% |
| Uruguay | 3.0 | 17.8 | 10.4 | 31.2 | 2% |
| Brazil | 4.2 | 24.5 | 0.2 | 28.9 | 2% |
| Colombia | - | 21.4 | 0.2 | 21.6 | 2% |
| South Africa | 0.9 | 13.7 | - | 14.6 | 1% |
| Top 10 EM Stock Exposures | 471.9 | 792.7 | 31.5 | 1,296.0 | 98% |
| Top 10 EM Stocks as % of Total | 36% | 60% | 2% | | |
| Total EM Stock Exposure | 489.3 | 790.2 | 40.39 | 1,319.9 | |

Global and EM Growth and Economic Trends

According to the IMF World Economic Outlook (WEO) dated April 2025, "The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global economic activity." The IMF WEO also cited that tariff measures implemented by the U.S., particularly those on April 2, 2025, along with countermeasures by trading partners and the unpredictability of how these tariff measures might unfold, could potentially negatively impact economic activity and growth outlooks. Globally, growth was stable throughout 2024 at 3.3%, but due in part to trade tensions and policy uncertainty, the IMF projects global growth to slow to 2.8% in 2025. (Refer to Table 4.) For emerging and developing economies, the IMF predicts a decrease in growth to 3.7% in 2025 from 4.3% in 2024.



Countries that are most affected by newly implemented trade measures could face ratings actions. For example, Fitch Ratings lowered its sovereign debt rating on China to A from A+ in April 2025, citing “a continued weakening of its public finances and a rapidly rising public debt trajectory during the country's economic transition.”²

The IMF forecasts gross domestic product (GDP) growth in China to be 4% in 2025, following 5% growth in 2024. According to the IMF, the decrease reflects the impact of the recently implemented tariffs, offsetting the country’s growth, and a budget expansion in 2024. According to the IMF, Mexico’s GDP growth was 1.5% in 2024. However, it is expected to decrease to -0.3% in 2025 due to weaker activity in late 2024 and early 2025, along with the impact of U.S.-imposed tariffs and their associated uncertainty, geopolitical stresses, and tightening financial conditions.

In EM countries, the IMF predicts inflation will decrease to 5.5% in 2025 from 7.7% in 2024. In comparison, in advanced economies, including the U.S., the Euro area, and Japan, inflation was 2.8% in 2024, according to the IMF, and it is expected to decline to 2.4% in 2025. While inflation is down from multi-decade highs, most countries have not yet achieved their inflation targets. In particular, in EM countries, inflation expectations currently exceed central bank targets, according to the IMF. The effects of the recently imposed tariffs on inflation across countries could vary depending, in part, on whether the tariffs are perceived to be permanent or temporary. Increased uncertainty relative to policy shifts and a resulting reset of the global trade system could intensify the growth-inflation tradeoff, and some countries have steeper tradeoffs than others relative to output and inflation.

Table 4:

| Table A1. Summary of World Output¹ (Annual percent change) | | | | | | | | | | | | |
|---|--------------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|------------|------------|
| | Average 2007-16 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Projections | | |
| | | | | | | | | | | 2025 | 2026 | 2030 |
| World | 3.4 | 3.8 | 3.7 | 2.9 | -2.7 | 6.6 | 3.6 | 3.5 | 3.3 | 2.8 | 3.0 | 3.1 |
| Advanced Economies | 1.3 | 2.6 | 2.3 | 1.9 | -4.0 | 6.0 | 2.9 | 1.7 | 1.8 | 1.4 | 1.5 | 1.7 |
| United States | 1.5 | 2.5 | 3.0 | 2.6 | -2.2 | 6.1 | 2.5 | 2.9 | 2.8 | 1.8 | 1.7 | 2.1 |
| Euro Area | 0.7 | 2.6 | 1.8 | 1.6 | -6.0 | 6.3 | 3.5 | 0.4 | 0.9 | 0.8 | 1.2 | 1.1 |
| Japan | 0.4 | 1.7 | 0.6 | -0.4 | -4.2 | 2.7 | 0.9 | 1.5 | 0.1 | 0.6 | 0.6 | 0.5 |
| Other Advanced Economies ² | 2.2 | 3.1 | 2.5 | 1.9 | -4.0 | 6.5 | 3.4 | 1.5 | 1.9 | 1.6 | 1.8 | 1.8 |
| Emerging Market and Developing Economies | 5.3 | 4.8 | 4.7 | 3.7 | -1.7 | 7.0 | 4.1 | 4.7 | 4.3 | 3.7 | 3.9 | 4.0 |
| Regional Groups | | | | | | | | | | | | |
| Emerging and Developing Asia | 7.6 | 6.6 | 6.4 | 5.4 | -0.5 | 7.8 | 4.7 | 6.1 | 5.3 | 4.5 | 4.6 | 4.5 |
| Emerging and Developing Europe | 2.6 | 4.2 | 3.7 | 2.5 | -1.8 | 7.1 | 0.5 | 3.6 | 3.4 | 2.1 | 2.1 | 2.5 |
| Latin America and the Caribbean | 2.4 | 1.4 | 1.1 | 0.2 | -6.9 | 7.4 | 4.2 | 2.4 | 2.4 | 2.0 | 2.4 | 2.6 |
| Middle East and Central Asia | 4.0 | 2.6 | 2.7 | 1.9 | -2.2 | 4.4 | 5.5 | 2.2 | 2.4 | 3.0 | 3.5 | 3.7 |
| Sub-Saharan Africa | 4.7 | 3.0 | 3.3 | 3.2 | -1.5 | 4.7 | 4.1 | 3.6 | 4.0 | 3.8 | 4.2 | 4.5 |

Source: IMF *World Economic Outlook Update*, April 2025.

The NAIC Capital Markets Bureau will continue to monitor the U.S. insurance industry’s EM exposure and economic and geopolitical developments that could affect these exposures and will provide updates as deemed appropriate.

² FitchRatings, *Fitch Downgrades China to 'A'; Outlook Stable*, April 3, 2025.



Questions and comments are always welcome. Please contact the Capital Markets Bureau at CapitalMarkets@naic.org.

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Appendix

| Emerging and Developing Economies | | |
|--|---|--|
| <p>Afghanistan Albania Algeria Angola Antigua and Barbuda Argentina Armenia Aruba Azerbaijan The Bahamas Bahrain Bangladesh Barbados Belarus Belize Benin Bhutan Bolivia Bosnia and Herzegovina Botswana Brazil Brunei Darussalam Bulgaria Burkina Faso Burundi Cabo Verde Cambodia Cameroon Central African Republic Chad Chile China Colombia Comoros Democratic Republic of the Congo Republic of Congo Costa Rica Côte d'Ivoire Djibouti Dominica Dominican Republic Ecuador Egypt El Salvador Equatorial Guinea Eritrea Eswatini Ethiopia Fiji Gabon The Gambia</p> | <p>Georgia Ghana Grenada Guatemala Guinea Guinea-Bissau Guyana Haiti Honduras Hungary India Indonesia Iran Iraq Jamaica Jordan Kazakhstan Kenya Kiribati Kosovo Kuwait Kyrgyz Republic Lao P.D.R. Lebanon Lesotho Liberia Libya Madagascar Malawi Malaysia Maldives Mali Marshall Islands Mauritania Mauritius Mexico Micronesia Moldova Mongolia Montenegro Morocco Mozambique Myanmar Namibia Nauru Nepal Nicaragua Niger Nigeria North Macedonia Oman Pakistan Palau Panama Papua New Guinea</p> | <p>Paraguay Peru Philippines Poland Qatar Romania Russia Rwanda Samoa São Tomé and Príncipe Saudi Arabia Senegal Serbia Seychelles Sierra Leone Solomon Islands Somalia South Africa South Sudan Sri Lanka St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines Sudan Suriname Syria Tajikistan Tanzania Thailand Timor-Leste Togo Tonga Trinidad and Tobago Tunisia Türkiye Turkmenistan Tuvalu Uganda Ukraine United Arab Emirates Uruguay Uzbekistan Vanuatu Venezuela Vietnam West Bank and Gaza Yemen Zambia Zimbabwe</p> |

Source: IMF WEO, April 2025.