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The NAIC Capital Markets Bureau monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. Previously published NAIC Capital Markets Bureau Special Reports are available via its web page and the NAIC archives (for reports published prior to 2016).

Another Year of Material Growth in U.S. Insurers' Exposure to Residential Mortgage-Backed Securities

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Executive Summary

- At year-end 2024, U.S. insurers' exposure to residential mortgage-backed (RMBS) increased 17% year-over-year (YOY) to $451.2 billion, marking the second consecutive year of double-digit growth.
- Agency-backed (agency) RMBS accounted for 68% of U.S. insurers' RMBS exposure, and private-label RMBS comprised the remaining 32%.
- The U.S. insurance industry's exposure to private-label RMBS grew at a faster rate than agency RMBS in 2024, rising 24% YOY compared to 14%.
- Property/casualty (P/C) companies continue to increase their allocation to agency RMBS and, as of year-end 2024, they are the largest holders among U.S. insurers with $150 billion, representing 49% of the industry's total exposure.
- Life companies hold the majority share of private-label RMBS, accounting for 73% of total exposure as of year-end 2024.
- Residential mortgage market trends are expected to be favorable in 2025, with mortgage performance remaining solid despite ongoing borrower pressures, such as elevated interest rates and inflation.

At year-end 2024, U.S. insurers reported exposure to residential mortgage-backed securities (RMBS) totaling $451.2 billion, a 17% increase from $386.1 billion at year-end 2023. This marks the second consecutive year of double-digit growth following a period of flat or declining exposure. (Refer to Chart 1.) This growth coincided with robust RMBS issuance, supported by favorable mortgage market fundamentals including healthy home price appreciation and solid demand.

The majority of U.S. insurers' RMBS holdings are agency-backed (agency). Agency RMBS are either guaranteed by the Government National Mortgage Association (GNMA), which is backed by the full faith and credit of the U.S. government, or by government-sponsored enterprises (GSEs), such as the Federal Home Loan Mortgage Corporation (Freddie Mac) or the Federal National Mortgage Association (Fannie Mae). Private-label RMBS is also a core component of U.S. insurer investment portfolios. These securities are issued by private financial institutions, such as banks, and they bear the credit risk of the underlying mortgage loans and the responsibility for the timely payment of principal and interest by the borrowers.

Chart 1: Five-Year Historical U.S. Insurers' RMBS Exposure (BACV $ in Billions)

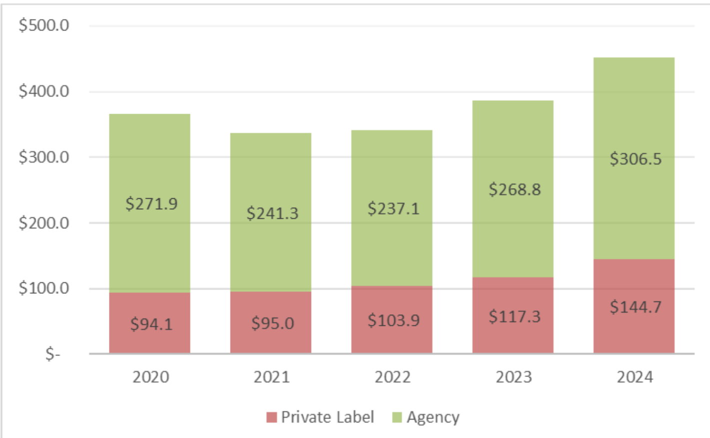

Table 1 shows that the share of agency RMBS has declined over the five years ending in 2024, while the share of private-label RMBS has steadily increased. Although agency RMBS has consistently accounted for the larger portion of total exposure, its share fell below 70% for the first time in 2024. At year-end 2024, agency RMBS accounted for 68% of U.S. insurers' RMBS exposure, and private-label RMBS comprised the remaining 32%. This trend may be attributable to the lower yields on agency bonds, which have become relatively less attractive to investors compared to those on similarly rated private-label RMBS and other structured investments.

Table 1: Historical Percentage of Private Label RMBS and Agency RMBS, 2020–2024

YE	Private Label	Agency
2020	26%	74%
2021	28%	72%
2022	30%	70%
2023	30%	70%
2024	32%	68%

Approximately 98% of the industry's total RMBS exposure carried an NAIC 1 designation, reflecting the high credit quality associated with agency-backed securities. Private-label RMBS holdings also demonstrated strong credit strength, with 94% carrying an NAIC 1 designation.

P/C Insurers Now Hold Majority of Agency RMBS

Agency RMBS exposure increased 14% year-over-year (YOY), reaching $306.5 billion at year-end 2024, up from $269.1 billion in 2023. (Refer to Table 2.) This growth was primarily driven by property/casualty (P/C) insurers, whose agency exposure increased by 26% over the same period. P/C companies have steadily increased their allocation to agency RMBS, raising their share of the industry's total agency exposure to 49%. Year-end 2024 marks the first time P/C insurers held the largest share of agency RMBS exposure within the U.S. insurance industry. While life insurers' share of the industry's agency RMBS exposure declined to 41%, their exposure in dollar terms continued to grow, except at a more moderate pace. Agency securities are considered attractive by some investors because they are often perceived to offer conservative and highly liquid investment options, which can be valued features amid heightened market volatility and rising claim costs.

Table 2: U.S. Insurers' Agency RMBS Exposure, Year-End 2024 and 2023 (BACV$ in Millions)

Industry Type	YE 2024	% of Total	YE 2023	% of Total
Life	$ 124,489	41%	$ 119,604	44%
P/C	$ 149,700	49%	$ 118,961	44%
Health	$ 31,585	10%	$ 29,885	11%
Title	$ 772	0%	$ 694	0%
Total	**$ 306,547**	**100%**	**$ 269,144**	**100%**

Private-Label RMBS Exposure Rises on Strong Issuance

The U.S. insurance industry's exposure to private-label RMBS grew at a faster rate than agency RMBS in 2024, rising 24% YOY to $144.7 billion. This followed a 13% increase in 2023 to mark two consecutive years of double-digit growth, and seemingly reflects a growing appetite for higher-yielding structured investments, particularly in comparison to agency RMBS. In addition, in 2024, private-label RMBS market conditions were favorable as new issuance surged with interest rates beginning to decline, even if only briefly.

Life companies continued to hold the majority share of private-label RMBS, accounting for 73% of total exposure as of year-end 2024. Their exposure increased 20% YOY to $105.6 billion. P/C companies have also been increasing their participation in this asset class, with the intent of enhancing investment portfolio returns. P/C insurers' exposure to private-label RMBS rose by 37% in 2024, albeit from a smaller base, outpacing their 26% increase in agency RMBS exposure. (Refer to Table 3.)

Table 3: U.S. Insurers' Private-Label RMBS Exposure, Year-End 2024 and 2023 (BACV$ in Millions)

Industry Type	YE 2024	% of Total	YE 2023	% of Total
Life	$ 105,589	73%	$ 88,076	75%
P/C	$ 35,161	24%	$ 25,588	22%
Health	$ 3,900	3%	$ 3,716	3%
Title	$ 3	0%	$ 2	0%
Total	**$ 144,652**	**100%**	**$ 117,382**	**100%**

Mortgage Market Trends are Favorable Through 2025

Agency RMBS dominate gross new issuance in the residential mortgage market, consistently accounting for more than 90% of total issuance in recent years. In 2024, gross agency issuance totaled about $1.1 trillion, a 12% increase compared to 2023, according to the Housing Finance Policy Center (Housing Finance). This represented approximately 92% of total RMBS new issuance. Private-label RMBS accounted for the 8% balance, with new issuance rebounding in 2024 to approximately $132 billion, more than double the weak volume in 2023.

In 2025, S&P Global Ratings (S&P) anticipates an increase in private-label RMBS issuance volume to approximately $160 billion[1], supported by a resilient and stable housing market. Solid housing demand and a healthy labor market are expected to further support home prices. While a gradual decline in interest rates is possible in 2025, it is unlikely to significantly increase refinancing activity.

While Fitch Ratings (Fitch) expects residential mortgage performance to remain stable through 2025, it has noted delinquencies are gradually rising due to weaker underlying collateral in 2022 and 2023 vintage transactions.[2] In addition, borrowers continue to face ongoing pressures from relatively high interest rates, inflation concerns, and the resumption of student loan payments.

The NAIC Capital Markets Bureau will continue to monitor exposure and trends with RMBS and report as needed.

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

[1] S&P Global Ratings, *U.S. Structured Finance Chart Book: May 2025*, May 2025.
[2] Fitch Ratings, *U.S. RMBS Performance Chartbook (1Q2025 – January)*, January 2025.