

*Our Insight, Your Advantage[®]*Financial Review
September 18, 2025**Higher interest
rates bolster
investment
income; RMBS
allocations grow**

Investment Income Reached Record Heights for P/C Insurers in 2024

Principal Takeaways

- The US property/casualty segment's net investment income hit record heights in 2024, on the heels of strong performance in 2023.
- Credit quality improves for the third consecutive year, with allocations to NAIC-1 designated bonds increasing.
- Unaffiliated common stock allocations fell as one company unloaded a large share of unaffiliated stocks, which contributed 80% of the industry's net capital gains for the year.

With total invested assets of \$2.6 trillion in 2024, P/C insurers have been closely examining how to best manage their investment portfolios in the wake of continued interest rate hikes and market volatility. As weather and catastrophe events (as well as other headwinds) increase, driving losses higher for some P/C insurers, investment income has become even more important to make up for poor underwriting results. P/C insurers' net investment income reached a decade high due largely to three factors: Federal Reserve policy actions, interest rate trends, and equity market performance.

The industry's net investment income increased approximately 20% in 2024, to \$89.0 billion, driven by bonds and cash and short-term investments. After over a decade of persistently low interest rates, the Federal Reserve raised rates by 425 basis points between 2022 and the end of 2024, causing bond prices to fall below their carried values. However, the well-matched and shorter duration portfolios of most P/C insurers limited the overall impact. As interest rates rose, returns increased due to reinvestment into higher-yielding securities, boosting net investment income materially. The equity markets also had a notable impact on results, but overall returns were positive.

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US Property/Casualty – Investment Portfolio Profile

(%) of Invested Assets

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Bonds	62.0	61.1	57.8	60.1	56.9	55.3	53.1	55.7	54.7	55.3
Mortgages	0.8	0.9	1.0	1.1	1.1	1.1	1.2	1.3	1.3	1.2
BA Assets	8.3	8.7	8.9	8.6	8.6	9.4	8.7	8.1	6.6	6.7
Common & Preferred Stock	21.7	22.1	24.1	22.8	26.0	26.1	28.9	26.6	27.9	24.3
Cash & Short-Term	5.8	5.8	6.7	5.9	6.1	6.9	7.0	7.1	8.4	11.5
Real Estate	0.7	0.7	0.7	0.8	0.7	0.7	0.6	0.6	0.5	0.5
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
All Other	0.7	0.6	0.8	0.7	0.5	0.5	0.5	0.5	0.5	0.4
Net Investment Income (\$ billions)	49.3	48.0	51.1	57.7	57.2	54.4	56.6	72.9	74.1	89.0
Gross Yield %	3.20	3.05	3.09	3.37	3.19	2.80	2.67	3.28	3.26	3.66

Source: AM Best data and research

Investment Portfolio Profile

- Net investment income hit a record high in 2024 to \$89 billion, a notable increase of 20% year-over-year, bolstered by the higher interest rate environment.
- Common and preferred stock holdings fell nearly 4 percentage points in 2024, largely driven by National Indemnity Company, a Berkshire Hathaway entity.
- Cash and short-term investments rose by 3 percentage points for the industry, though this was partially due to timing of substantial common stock sales, and proceeds were not fully yet invested.
- After a slight deterioration in 2023, gross yield rose to 3.66% as new money was reinvested into higher-yielding assets. Insurers' balance sheets were also strengthened by the US equity markets, which ended 2024 near record highs.
- Bonds remain the largest asset class for P/C insurers, but allocations have fluctuated in recent years due to equity market volatility and increased cash and short-term investments.
- Trends, however, are generally being driven by larger players, as Berkshire Hathaway accounted for nearly 40% of the segment's invested assets in 2024.

US Property/Casualty – Bond Portfolio Profile

(%)

Distribution by Issue Type

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public Securities	87.8	86.9	86.5	84.8	83.7	82.3	79.8	80.4	80.5	80.5
Private Securities	12.2	13.1	13.5	15.2	16.3	17.7	20.2	19.6	19.5	19.5
Issuer Obligations	81.7	81.3	80.7	77.5	75.5	76.5	76.2	76.2	75.4	74.5
RMBS	9.1	9.3	9.2	9.6	10.0	9.1	8.2	8.8	10.0	11.4
CMBS	4.2	4.1	4.5	5.3	6.0	5.9	5.9	5.5	5.2	5.0
Other ABS	5.0	5.2	5.4	6.2	7.1	6.9	7.7	7.7	7.8	7.7
SVO Designated Funds	0.0	0.1	0.2	0.2	0.2	0.4	0.5	0.4	0.3	0.4
Bank Loans	0.0	0.0	0.0	1.0	1.1	1.2	1.5	1.4	1.1	1.0
Unaffil. Certificates of Deposit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market to Book Value	102.5	101.5	102.2	100.1	103.9	106.7	103.3	92.5	95.6	95.8
Bond Portfolio Yield	3.4	3.3	3.3	3.4	3.4	3.2	2.9	3.0	3.7	4.1

Distribution By Classification

US Gov't	11.4	11.3	12.0	13.7	13.4	11.8	13.4	14.5	15.8	15.8
Foreign Gov't	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.5	1.5	1.5
US State/Special Revenue	42.7	42.3	40.7	36.5	35.0	34.5	31.2	29.9	28.0	27.4
US Industrial & Misc	35.4	36.2	37.4	39.1	41.3	42.9	44.3	44.8	45.8	46.6
Foreign Industrial & Misc	7.5	7.4	7.7	8.5	8.0	8.7	9.0	8.9	8.7	8.4
Affiliated	1.4	1.1	0.4	0.5	0.6	0.6	0.3	0.3	0.2	0.3

Bond Portfolio Quality

NAIC-1	82.0	81.4	81.3	80.2	80.1	77.6	77.2	77.8	78.9	80.0
NAIC-2	13.6	13.9	14.5	15.9	15.6	17.4	17.6	17.8	17.0	15.8
Total Below Investment Grade	4.3	4.7	4.2	3.8	4.2	5.0	5.3	4.4	4.1	4.1
NAIC-3	2.0	2.2	2.2	2.0	2.1	2.6	2.7	2.2	2.0	2.2
NAIC-4	1.3	1.5	1.7	1.5	1.7	1.9	2.0	1.7	1.6	1.4
NAIC-5	0.9	0.8	0.3	0.3	0.3	0.5	0.4	0.4	0.5	0.4
NAIC-6	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Below Investment Grade/C&S	6.4	6.9	5.9	5.5	5.6	6.4	6.4	5.9	5.5	5.9

Source: 

Bond Portfolio Profile

- P/C bond portfolio yield reached 4.1%, a record high in over a decade.
- Credit quality improves for the third consecutive year, with allocations to NAIC-1 designated bonds now accounting for 80% of bond portfolios.
- The total level of below investment grade bonds remained flat year-over-year.
- Although generally steady for over the last four years at around 20% of bond portfolios, there has been a slight increase in private securities over the last decade.
- P/C insurers continue to favor and find value in residential mortgage-backed securities (RMBS) over commercial mortgage-backed securities (CMBS). RMBS allocations account for 11.4% of the industry's allocations, while CMBS make up 5.0%.
- Other asset-backed securities (ABS) have held steady around 7.7% over the last four years.
- US industrial bonds (corporate bonds) have steadily increased over the last 10 years, rising 11.2 percentage points and making up 46.6% of bond portfolios.

US Property/Casualty – Stock Portfolio Profile

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Stocks (\$ billions)	343.4	363.7	422.6	402.0	503.1	541.2	664.3	599.9	670.7	622.1
Preferred Stock (%)	4.1	3.0	1.3	1.4	2.8	3.1	2.6	2.7	2.3	2.5
Unaffiliated Common Stock (%)	69.1	70.2	72.1	72.7	73.7	73.1	77.0	76.7	75.5	72.2
Affiliated Common Stock (%)	21.2	21.3	20.9	20.7	18.5	18.0	15.0	15.6	17.3	19.6
Mutual Funds (%)	5.5	5.5	5.7	5.2	4.9	5.8	5.2	3.2	2.7	3.0
Exchange Traded Funds (%)	N/A	N/A	N/A	N/A	0.1	0.1	0.1	0.1	0.1	0.1
Closed End Funds (%)	N/A	N/A	N/A	N/A	0.0	0.0	0.0	1.6	2.1	2.6
Total Stock Yield (%)	2.62	2.72	2.43	2.95	2.35	2.12	2.09	2.21	2.07	2.00
Total Stock/C&S (%)	48.7	49.5	53.8	51.5	56.7	56.8	61.9	59.9	63.0	54.7
Stock/C&S Excluding Berkshire	35.9	36.3	39.8	35.7	37.6	38.3	41.3	37.3	38.9	38.4

Source:  BESTLINK

Stock Portfolio Profile

- Investments in total stocks grew significantly by ~\$70 billion in 2023 but then fell by ~\$49 billion in 2024.
- Unaffiliated common stock allocations fell to 72.2% in 2024, mainly as a result of one company's sale of shares. In turn, Berkshire Hathaway accounted for 80% of the industry's net realized capital gains.
- Stock yields, which are driven by dividends, fell in 2020 and remained low in 2021 amid economic turbulence. They rose in 2022 as equity markets recovered but dipped again in 2023 and 2024, especially for some large carriers.
- Stocks as a percentage of surplus decreased in 2024 to 54.7%, a level not seen since prior to 2019.

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