



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 webpage and the NAIC archives (for reports published prior to 2016).

Private Ratings Among U.S. Insurer Bond Investments Continue to Rise and Have Nearly Tripled in Five Years

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Executive Summary

- The number of privately rated securities reported by U.S. insurance companies totaled 8,152 at year-end 2023, a 20% increase from 6,792 in 2022, and is on pace to triple the count of 2,850 in 2019 by the end of 2024.
- Small credit rating providers (CRPs), such as Egan Jones, the Kroll Bond Rating Agency, LLC (KBRA), and Morningstar DBRS, are providing an increasing share of private letter ratings (PLRs), accounting for almost 86% of U.S. insurers' privately rated securities as of year-end 2023.
- NAIC designations (designations) based on PLRs averaged 2.74 notches higher than designations assigned by the NAIC Securities Valuation Office (SVO), according to data from 2023, with designations 3 notches higher at small CRPs and 1.9 notches higher at large CRPs.
- In 2023, 109 securities moved to a PLR from an SVO designation, with 97% receiving a higher rating.
- Based on the credit rating analysis conducted by the SVO, the use of PLRs can result in lower risk-based capital (RBC) charges and potentially lead to the undercapitalization of insurance companies.
- Regulatory oversight of nationally recognized statistical rating organizations (NRSROs) does not—and is not intended to—result in uniform ratings across the NAIC's CRPs.
- Ten U.S. insurer groups accounted for 51% of the industry's exposure to privately rated securities at year-end 2023, with the majority being large life insurance companies.

BLOOMBERG NEWS EDITOR'S NOTE: The NAIC has removed this report from its website "to undergo further editorial work to clarify the analysis presented," according to a May 15, 2025 statement.



Private Letter Ratings are Less Transparent to the Marketplace

Private letter ratings (PLRs) are assigned to securities by NAIC credit rating providers (CRPs) in the form of a letter or report. PLRs can be obtained by an insurer in its capacity as an investor in the rated security through a confidential process established by the CRP. A privately rated security is assigned a credit rating from a CRP and only communicated to the issuer and a specified group of investors. It is not publicly released via the CRP's public data feed or website; therefore, a privately rated security is the subject of the PLR. There are currently eight NAIC CRPs, including larger rating agencies such as S&P Global, Moody's Ratings (Moody's), and Fitch Ratings, as well as smaller credit rating agencies.

Unlike public ratings, PLRs are issued confidentially only to a particular investor group, making them less transparent to the marketplace. The NAIC has required insurance companies to submit PLRs for verification since 2018, whereby the NAIC's Securities Valuation Office (SVO) reviews that the letter submitted is for the appropriate security and the current year. In addition, effective the beginning of 2022, insurers are required to file full rating rationale reports for PLR requests with the SVO to mitigate concerns regarding the lack of transparency of PLRs.

Rating rationale reports for PLRs are submitted to the SVO and are required to mirror publicly available reports from that same CRP. They are intended to explain the transaction structure, disclose the methodology relied upon, and include an analytical review of the credit, including business, financial, industry, and legal risks. The rating rationale reports should also clarify whether a security is eligible for filing exemption (FE) in accordance with the policies and procedures specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual).

Note that not all CRP-rated securities are eligible for designation pursuant to the FE process. If a security is deemed to be ineligible for FE, the insurance company can either file that security and necessary documentation with the SVO for an NAIC designation, or self-assign an NAIC 5.B GI designation to the security and report it in the related General Interrogatory. Certain investments may not be eligible for designation even if filed with the SVO.

Significant Growth in Privately Rated Securities at U.S. Insurers Continues

U.S. insurance companies' use of PLRs increased by double digits year over year (YOY) between 2019—the first year the NAIC required PLR filings—and the most recent reporting for year-end 2023. In 2019, insurers reported 2,850 privately rated securities, which increased by 186% to 8,152 in 2023. (Refer to Table 1.) YOY growth ranged between 20% and 50%.



Table 1: Privately Rated Securities Reported by U.S. Insurers, 2019–2023

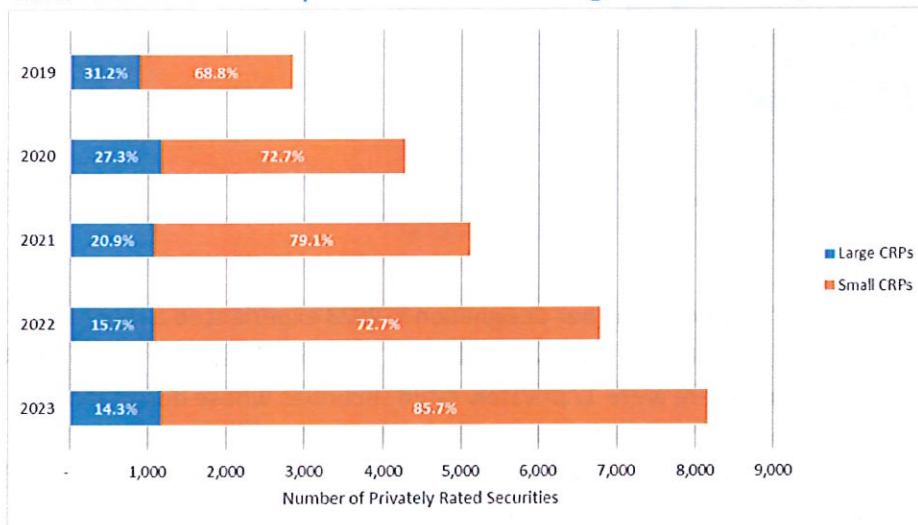
	Large CRPs	Small CRPs	Total
2023	1,164	6,988	8,152
2022	1,067	5,725	6,792
2021	1,066	4,042	5,108
2020	1,165	3,105	4,270
2019	888	1,962	2,850

Note: Previously published data for 2020–2021 have been updated to reflect active filings.

At year-end 2023, U.S. insurers reported about \$352.1 billion in total privately rated securities (as reported in Schedule D, Part 1 [Bonds] and Part 2 Section 2 [Preferred Stock]), representing a substantial 85% increase from \$190 billion in 2020 and a 157% increase from \$136.9 billion at year-end 2019. Privately rated securities represented almost 7% of total Schedule D, Part 1, and Part 2 Section 2 assets at year-end 2023, which totaled approximately \$5.2 trillion.

All CRPs provide PLRs, but the smaller CRPs have increasingly been more active than their larger counterparts over the last five years ending 2023. (Refer to Chart 1.) Our analysis included categorizing CRPs that have issued PLRs on U.S. insurer investments based on their market share in the global credit rating industry. Large CRPs include S&P Global, Moody's, and Fitch Ratings; small CRPs include AM Best, Egan-Jones Ratings Company (Egan-Jones), HR Ratings, KBRA, and Morningstar DBRS.

Chart 1: Share of Privately Rated Securities for Large and Small CRPs, 2019–2023



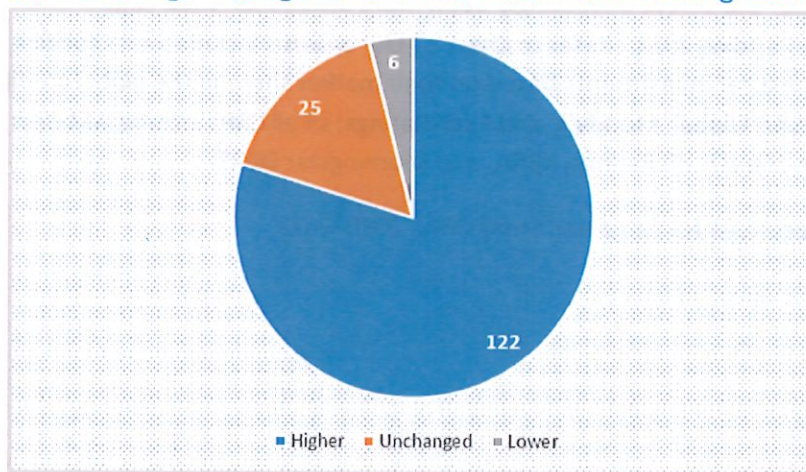
As shown in Chart 1, small CRPs account for the dominant share of privately rated securities, growing to 86% of total PLRs in 2023 from 69% in 2019, when the NAIC first tracked the data. Conversely, large CRPs account for the majority of public credit ratings. The proportion of large CRPs that accounted for privately rated securities decreased steadily for the five years ending 2023; it dropped to 14% of the total in 2023 from 31% in 2019.



Within the small CRP group, Egan-Jones continues to be the leading provider of PLRs for U.S. insurers, followed by KBRA and Morningstar DBRS. Meanwhile, Fitch Ratings has consistently led the large CRP group.

A migration from SVO-assigned designations to designations based on PLRs continues to be evident, with U.S. insurance companies increasingly utilizing private ratings, particularly those issued by small CRPs. In 2023, 109 securities moved to a PLR-driven designation from an SVO-assigned designation. The PLRs for almost all of the migrated securities, or 106 securities, were higher than the SVO designation, indicating an opinion of lower credit risk, resulting in a lower risk-based capital (RBC) requirement. (Refer to Chart 2.) Small CRPs accounted for three-quarters of the higher designations, while large CRPs represented the remaining quarter. Note that the large CRPs' share of the higher PLR designations increased from 10% in the 2020 and 2021 data analyses to 25% in 2023. On average, designations were 2.74 notches higher, with designations 3.01 notches higher at small CRPs and 1.9 notches higher at large CRPs.

Chart 2: Change in Designations for U.S. Insurer Securities Migrated to PLR Designation, 2023



In addition, 36% of the changes that resulted in a higher designation in 2023 experienced a change of three or more notches. There were eight instances of a change of six or more notches, all where the PLR provider was a small CRP. Furthermore, there were 17 privately rated securities whose designations migrated from an SVO designation correlating to high-yield credit quality to a PLR designation correlating to investment-grade credit quality. Six of these 17 privately rated securities had a change of five or more notches, and small CRPs issued the PLR on 14 of the privately rated securities, migrating from high-yield to investment grade.

Privately Rated Securities Concentrated At Large Life Insurance Companies

The U.S. insurance industry's exposure to privately rated securities is fairly concentrated. Ten U.S. insurer groups accounted for \$180.2 billion, or 51% of total privately rated securities at year-end 2023.



In addition, the top three insurer groups accounted for about 25% of exposure to privately rated securities. (Refer to Table 2.) The top 10 groups included primarily large life companies, as well as insurers with private equity activity-based relationships.

Table 2: Ten Largest Exposures to Privately Rated Securities by U.S. Insurer Group as of Year-End 2023

Insurer Group	BACV (\$ in billions)	% of Total Privately Rated Securities
Group 1	45.5	12.9%
Group 2	22.2	6.3%
Group 3	21.9	6.2%
Group 4	16.3	4.6%
Group 5	14.0	4.0%
Group 6	12.8	3.6%
Group 7	12.8	3.6%
Group 8	12.5	3.5%
Group 9	11.4	3.2%
Group 10	10.9	3.1%
Top 10 Total	180.2	51.2%

For the top 10 insurer groups, investments in privately rated securities increased by an aggregate of \$76 billion from 2020 to 2023. This was an increase of 73% over three years, which is lower than the 85% overall increase in the U.S. insurance industry's exposure to privately rated securities. Furthermore, the top 10 insurer group's share of privately rated securities declined to 51% from 55%, suggesting the industry's exposure to privately rated securities is slightly less concentrated at year-end 2023 compared to year-end 2020. Over the time period analyzed, the top 10 insurer groups remained largely the same, except for two new groups.

The 10 largest issuers of investments with PLRs held by U.S. insurers at year-end 2023 represented 4% of total privately rated securities. (Refer to Table 3.) The share of the top 10 issuers declined in 2023 from 8% in 2020, suggesting that U.S. insurers continue to invest in a growing number of issuers with PLRs.

Table 3: Top 10 Issuers with PLRs, Year-End 2023

Issuer Name	BACV (\$ in billions)
SDLP SPV LLC	2.0
American Media Productions LLC	1.5
Cliffwater Corporate Lending Fund	1.4
Segro PLC	1.4
Investco CMI Investments MM LLC	1.4
JRD Holdings LLC	1.3
White Chapel V LLC	1.3
Warburg Pincus LLC	1.2
AP Tundra Holdings LLC	1.2
Reyes Holdings LLC	1.1
Top 10 Total	13.8
% of Total PLR Investments	3.9%



Regulatory Framework Overseeing Rating Agencies Does Not Result in Uniform Ratings

The federal Credit Rating Agency Reform Act of 2006 (CRARA) requires rating agencies seeking NRSRO recognition to make their methodology information publicly available to foster accountability, transparency, and competition in the credit ratings industry. The CRARA aims to make the differences between rating agencies and their methodologies visible to enable users of ratings, like insurance companies and the NAIC, to make informed decisions about the strengths and weaknesses of individual rating agencies' methodologies and, thereby, their ratings. However, there is currently no regulatory oversight to monitor or assess the uniformity or quality of credit ratings, nor any uniformity among the rating agencies themselves.

As a matter of policy, the NAIC and insurance industry must deem any one particular CRP rating as the functional equivalent of any other, regardless of the methodology used or consistency of the ratings assigned. That is, a AAA rating is treated as AAA no matter which CRP assigns the rating. However, as noted above, the NAIC has observed disparities between CRP ratings of the same credit, particularly with PLRs. These rating disparities, some of which are significant, call into question the quality and comparability of PLRs, and they could have an adverse impact on capital requirements under the current RBC framework.

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

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