

## ETF Transactions by U.S. Insurers in Q1 2021

### Contributor

**Raghu Ramachandran**  
Head of Insurance Asset Channel  
[raghu.ramachandran@spglobal.com](mailto:raghu.ramachandran@spglobal.com)

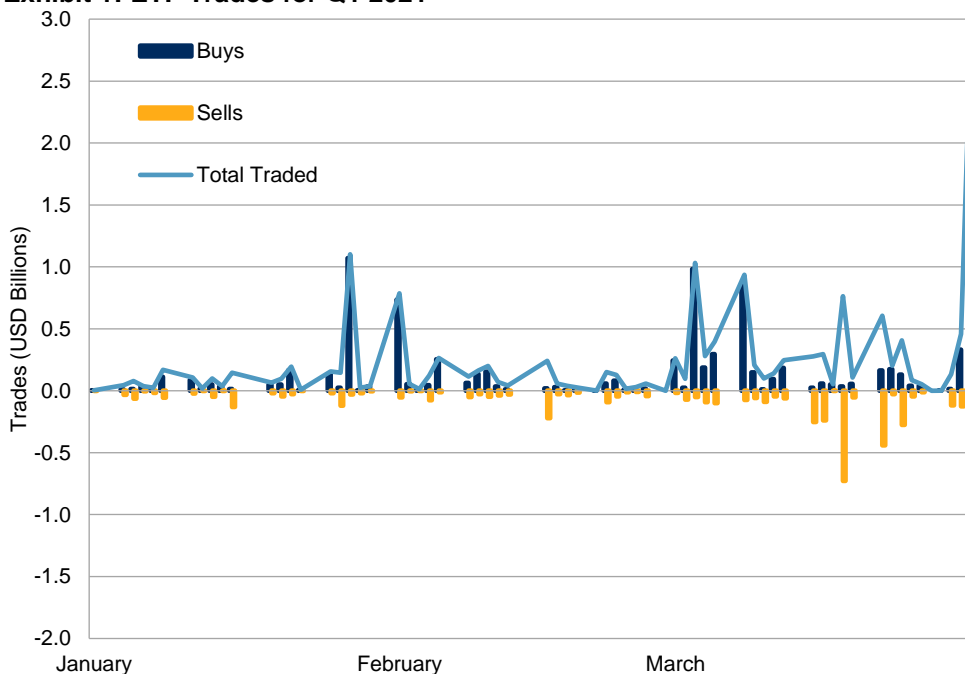
### INTRODUCTION

While the start of 2021 was not as volatile as the start of 2020, insurance companies still used ETFs actively. Using quarterly trading data, we analyzed the trades and net flows of ETFs by insurance companies in their general accounts. Although trade volume and net flows were down from Q1 2020, insurance companies still added USD 3 billion in ETFs to their general account portfolios and traded over USD 15 billion in ETFs.

### ETF TRADES

In Q1 2021, U.S. insurance companies traded USD 15.2 billion in ETFs, representing a 38% reduction in the amount traded during the chaotic Q1 2020. Roughly 66% of the trades happened at the end of the quarter, when both buy and sell volumes spiked (see Exhibit 1).

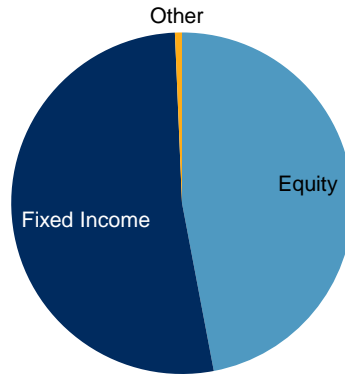
**Exhibit 1: ETF Trades for Q1 2021**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

As of year-end 2020, only one-third of ETF holdings were Fixed Income ETFs. However, in the first quarter, a little over half of ETFs traded were Fixed Income ETFs (see Exhibit 2).

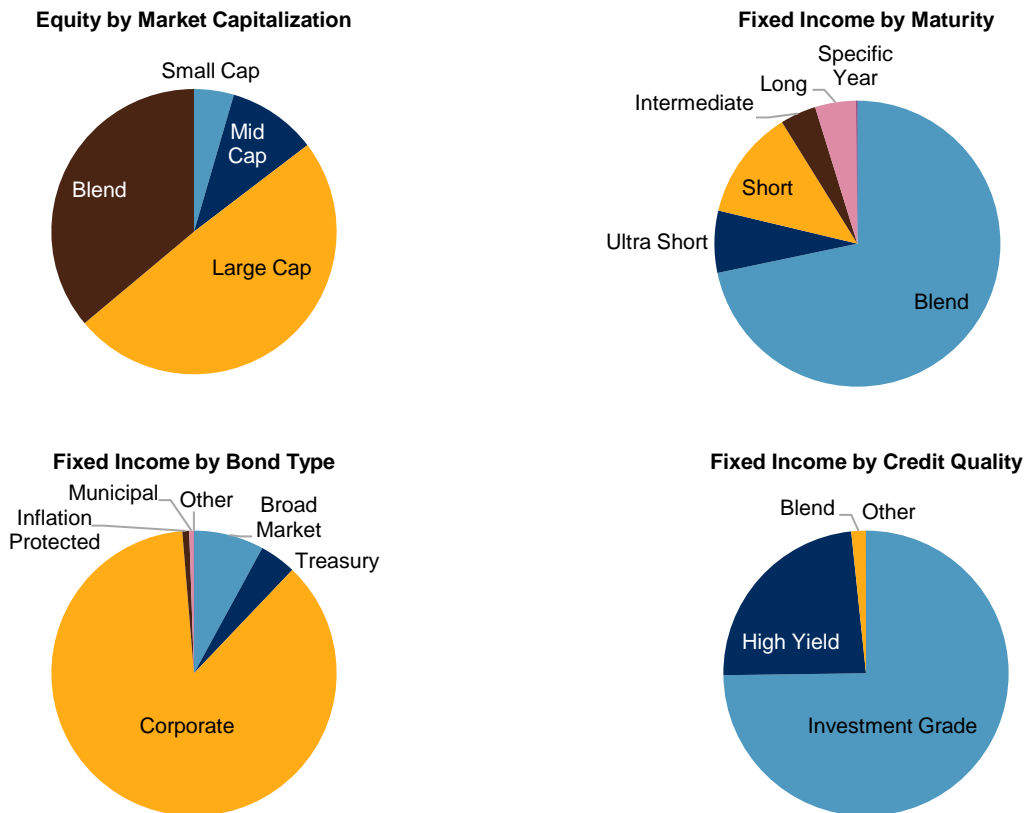
**Exhibit 2: Q1 2021 ETF Trades by Asset Class**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

In the Equity space, Large Cap Equity dominated. In Fixed Income, insurance companies once again concentrated their trades in Investment Grade Fixed Income (see Exhibit 3).

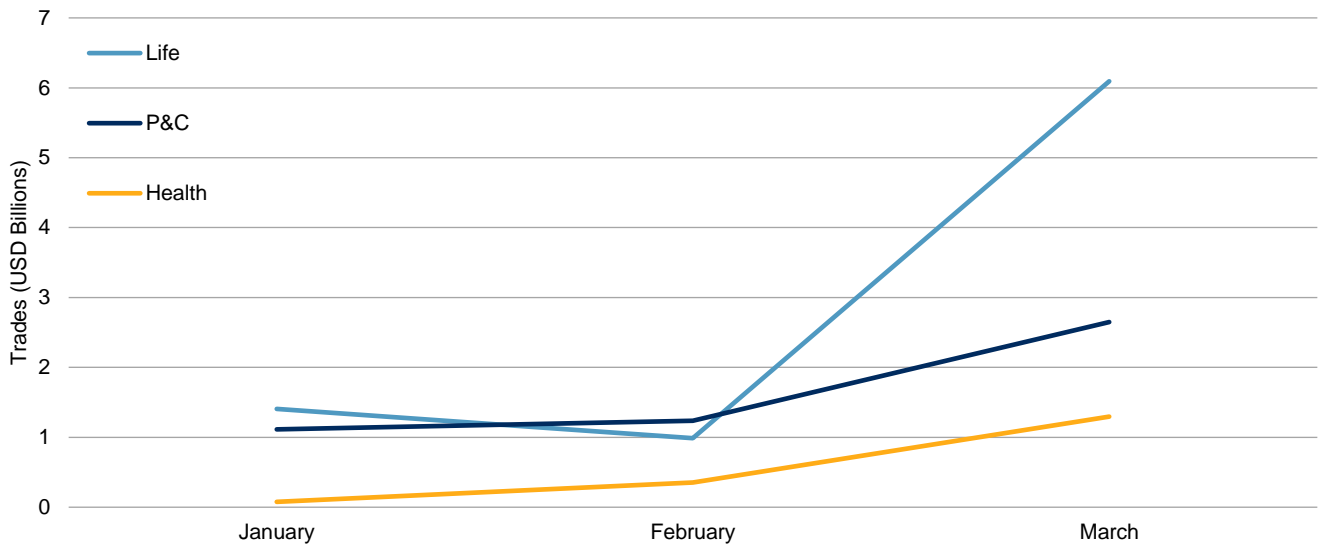
**Exhibit 3: Q1 2021 ETF Trades by Asset Characteristics**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Charts are provided for illustrative purposes.

Life companies traded more than P&C companies. However, Life companies did not join the action until March (see Exhibit 4).

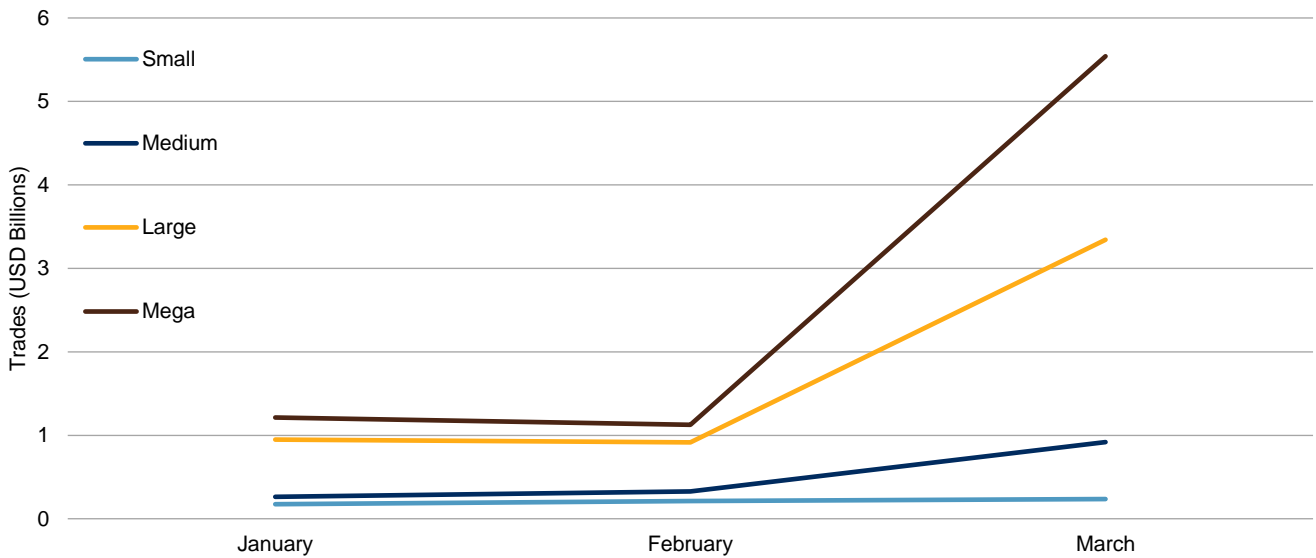
**Exhibit 4: Q1 2021 ETF Trades by Company Type**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

In terms of company size, Mega and Large companies once again dominated trading (see Exhibit 5).

**Exhibit 5: Q1 2021 ETF Trades by Company Size**

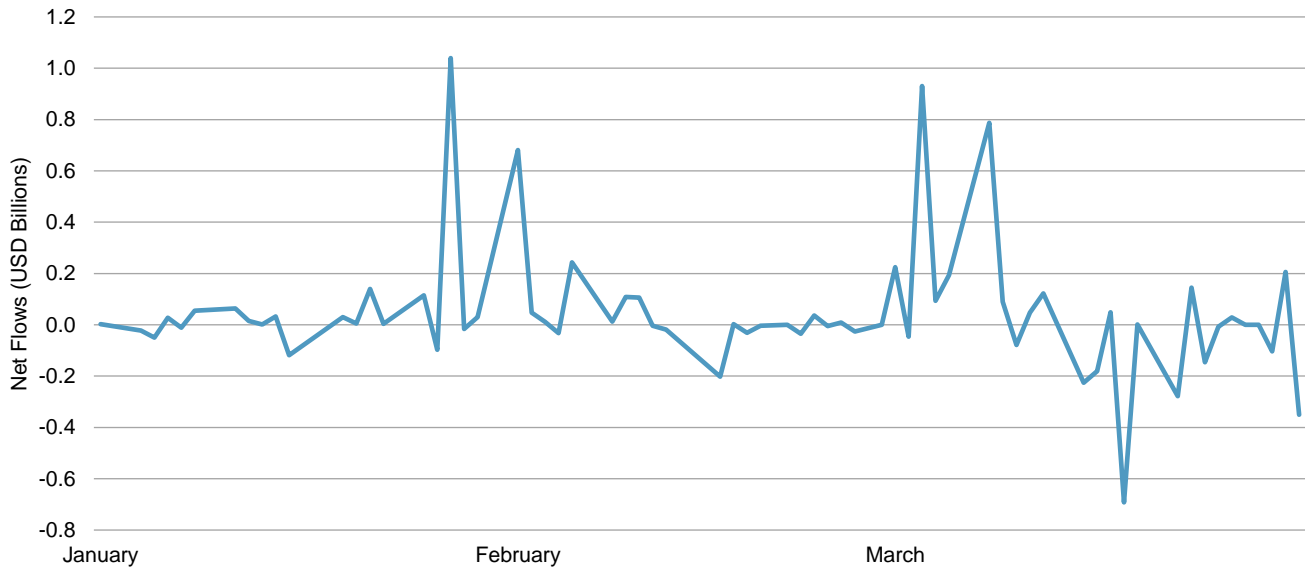


Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

## NET FLOWS

In the first quarter of 2021, insurance companies added USD 3.0 billion in ETFs to their portfolios. This was less than the USD 4.1 billion they added in the first quarter of 2020 (see Exhibit 6).

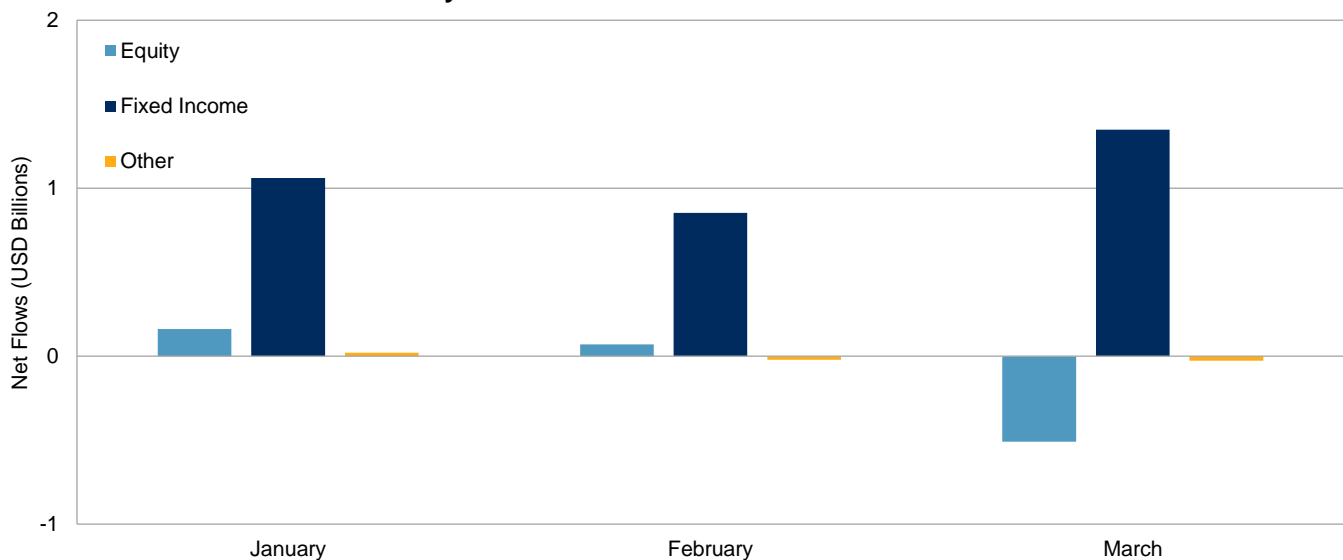
### Exhibit 6: ETF Net Flows for Q1 2021



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

Across most asset classes, net flows were positive in every month of the quarter; however, companies moved away from Equity in March 2021 (see Exhibit 7).

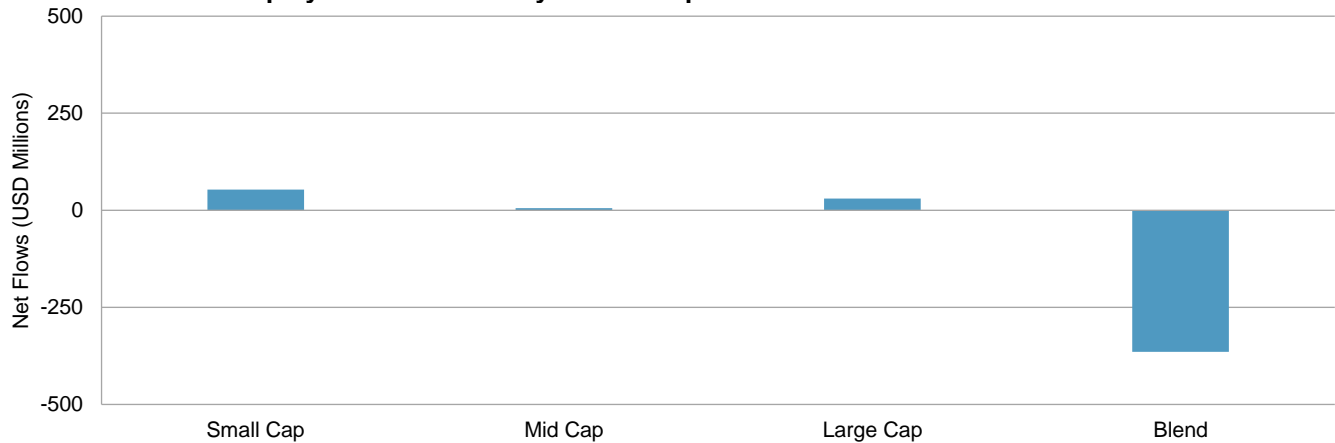
### Exhibit 7: Q1 2021 ETF Net Flows by Asset Class



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

Insurance companies sold over USD 276 million in Equity ETFs during the quarter, but the outflows were concentrated in Blend ETFs (see Exhibit 8).

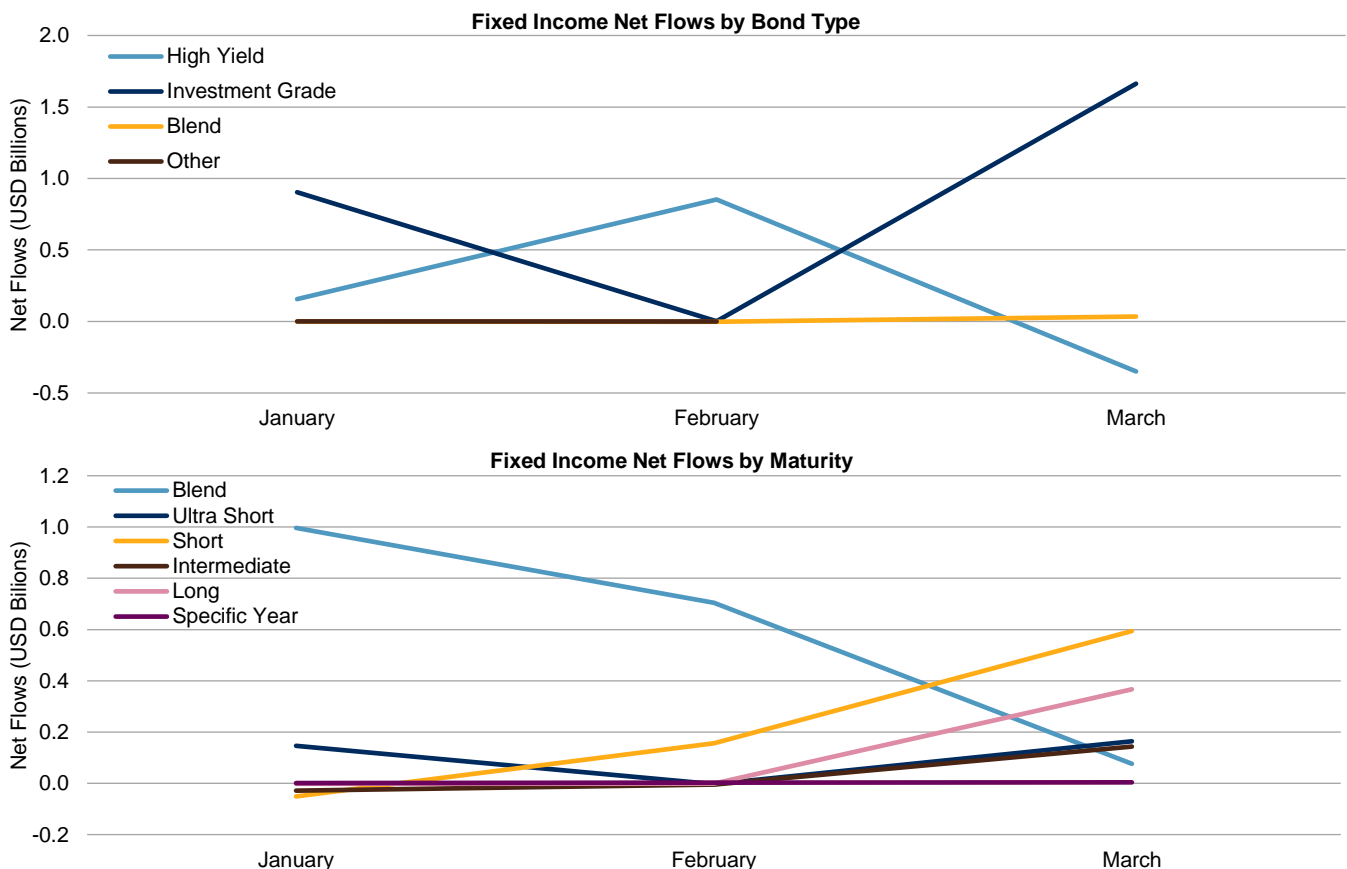
**Exhibit 8: Q1 2021 Equity ETF Net Flows by Market Capitalization**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Chart is provided for illustrative purposes.

In Fixed Income, flows were positive across all categories for the quarter, but varied over time. High Yield was positive for the first two months, then faded in March. Blend maturity ETF flows declined steadily throughout the quarter, while Short and Long maturity flows increased toward the end (see Exhibit 9).

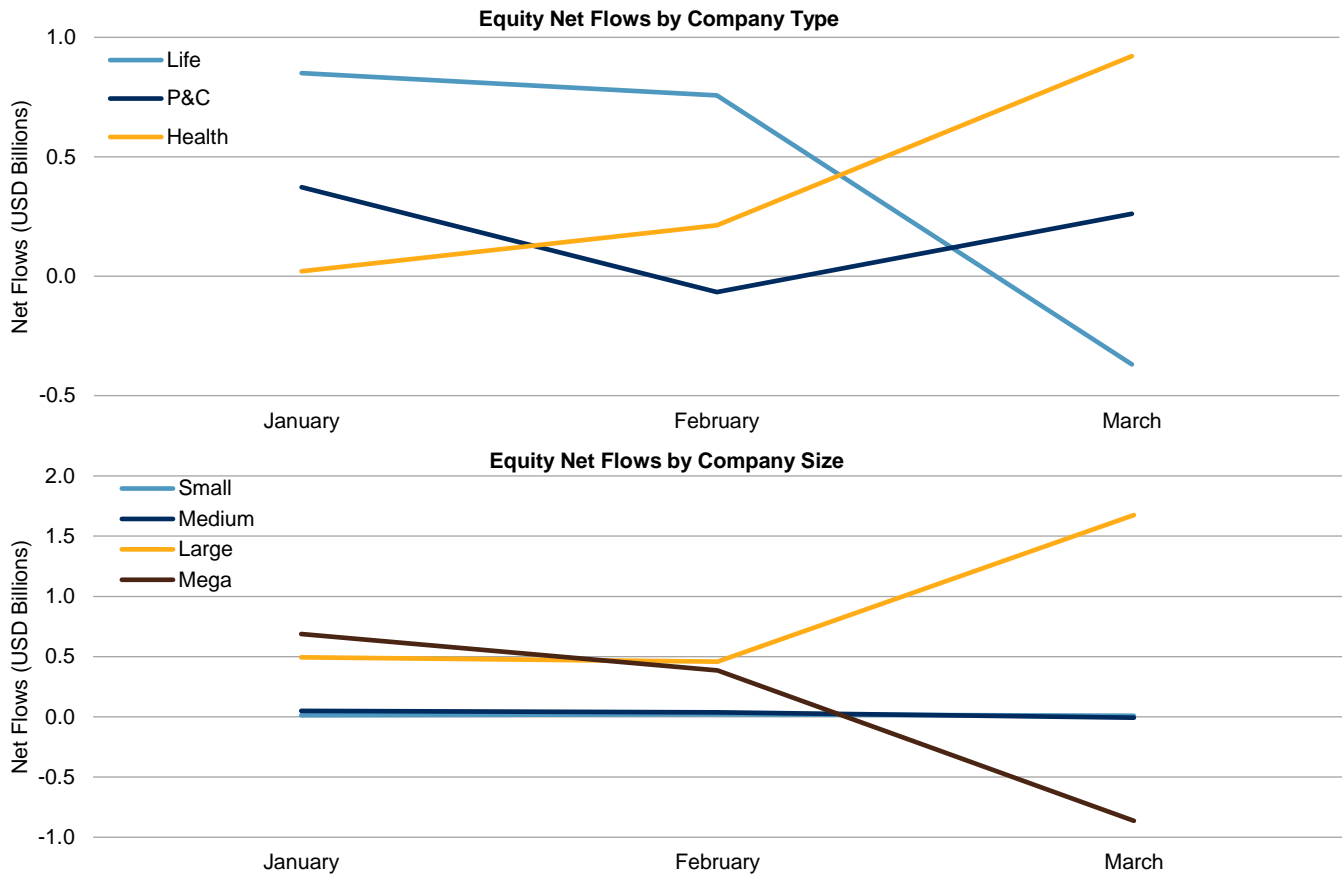
**Exhibit 9: Q1 2021 Fixed Income ETF Net Flows by Bond Type and Maturity**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Charts are provided for illustrative purposes.

Similarly, while flows were positive across company type and size for the quarter, they did vary. Mega companies were net sellers in March, while Large companies increased flows at the end of the quarter. Life companies bought for two months before selling in the third. Adding USD 1.2 billion in the first quarter, Health companies continued to buy more as the quarter went along (see Exhibit 10).

**Exhibit 10: Q1 2021 Equity ETF Net Flows by Company Type and Size**



Source: NAIC via S&P Global Market Intelligence. Data as of March 31, 2021. Charts are provided for illustrative purposes.

## METHODOLOGY

This analysis used the same methodology as our research paper, “[ETFs in Insurance General Accounts – 2021](#).” Please refer to Appendix 1 in that document for further details—especially with respect to U.S. insurance company and ETF characteristics. Each quarter, insurance companies file a statement with the National Association of Insurance Commissioners (NAIC); these are then aggregated by S&P Global Market Intelligence. We extracted the data from the database on June 5, 2021. To the extent the database was incomplete on that date, the analysis will have incomplete information.

Unlike annual statements, the quarterly financials do not contain actual holdings, rather companies report buys (Schedule D, Part 3) and sells (Schedule D, Part 4) in the quarter. In addition to company and ETF identifiers, we extracted from the dollar amount of the transaction. Using information from S&P Global Market Intelligence and CFRA ETF Data, we analyzed the trades and flows.

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