Insights
Fixed Income

Rule Change Levels Playing Field for Massachusetts Insurers Using Fixed Income ETFs

Fixed income ETFs may soon see a surge in investments from insurance companies in Massachusetts following a rule change signed into law on November 20, 2024.

State policymakers emphasized business competitiveness and proactive education around the legislation, resulting in its inclusion in their signature biennial economic development bill.

Under the new guidelines, investment in a fixed income ETF is a permitted asset and can receive bond-like capital treatment if it meets the following criteria:

1. The ETF is solvent and reported not less than $100 million of net assets in its latest annual or more recent certified audited financial statement;
2. The ETF is registered with the SEC pursuant to the Investment Company Act of 1940, the shares of the ETF are registered under the Securities Act of 1933 and the ETF is treated as the issuer of the securities issued by the fund;
3. The ETF has been placed on the list declared by the Securities Valuation Office of the National Association of Insurance Commissioners (NAIC-SVO) of ETFs eligible for reporting as a long-term bond in the Purposes and Procedures Manual of the NAIC-SVO;
4. The ETF cannot have embedded structural features designed to deliver performance that does not track the full unlevered and positive return of the underlying index or exposure (leverage or inverse ETFs);
5. The amount of the investment in the ETF cannot exceed 15% of the insurers capital and surplus.

This new regulation has the potential to accelerate Massachusetts insurers' use of fixed income ETFs in their general accounts. Competitor states and those with major insurance industries that have passed similar legislation or adopted regulations to this effect include: California, New York, Texas, Iowa, and Wyoming.

View the full SPDR ETF line-up, including NAIC designations and S&P® ratings.

Massachusetts represents 9% of net admitted fixed income assets in the US insurance market — the second-largest holdings in the country behind New York which houses 22% of net admitted fixed income assets.[1]

Contact Us

Questions? We're here to help. You can reach us at **USSPDR_Insurance@ssga.com** or contact a specific member of the team.

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Endnote

1 Schedule D filings as of December 31, 2023, via S&P Global Market Intelligence.

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* Pensions & Investments Research Center, as of December 31, 2023.
†This figure is presented as of September 30, 2024 and includes ETF AUM of $1,515.67 billion USD of which approximately $82.59 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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There can be no assurance that a liquid market will be maintained for ETF shares.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

Diversification does not ensure a profit or guarantee against loss.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

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