

Perspectives

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OUR VIEW ON INSURANCE CAPITAL MANAGEMENT TOPICS

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2024 Health Industry Investment Highlights: A Year of Decade-Highs

The health insurance industry had a standout year in 2024, reaching decade-highs in both net investment income [%] and fixed income book yield, fueled by elevated interest rates.

EXECUTIVE SUMMARY

In 2024, the U.S. health insurance industry's net investment income [%] reached a decade-high of 4.16%, supported by a prolonged high-interest rate environment and increased contributions from cash and short-term investments. The fixed income book yield also continued its upward trajectory, reaching a decade-high following notable improvements during 2022 - 2023.

SCOPE OF ANALYSIS

We use data from 169 health insurers¹ as a composite to track and examine industry trends. A small number of late filers are excluded from the 2024 dataset because their statutory financial statements were not yet available when the dataset was compiled.² However, their information from 2023 and prior years is included in the analysis. All exhibits use statutory filing data as of December 31, 2024, sourced from S&P Capital IQ Pro and supplemented with data from NEAM Analytics, ICE BofA, and other sources.

NET INVESTMENT INCOME³ IMPROVED WITH INCREASED CONTRIBUTION FROM CASH/SHORT-TERM

Table 1 presents the gross and net earned investment income of the health insurance industry over the past decade. The industry experienced three consecutive years of growth in net investment income [%], culminating in a decade-high of 4.16% in 2024. Table 2 provides a breakdown of gross earned investment income by major asset class. While bonds remained the largest contributor, cash and short-term investments continued to generate substantial incomes, driven by both sizable allocations and favorable short-term yields in recent years. After contributing just 1% to total income in 2021 when short-term interest rates were near zero, cash and short-term investments have since emerged as a significant source of income, driven by the Federal Reserve's tightening cycle that began in 2022.

Table 1. Earned Investment Income \$ Billions and Percentage

Category	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Cash/ Investments (\$bn)	324.2	333.3	314.2	296.1	278.3	227.0	207.3	201.3	184.3	170.7
Gross Earned Investment Income (\$bn)	15.1	13.6	8.1	6.2	6.2	7.3	6.1	5.8	4.2	4.1
Investment Expenses (\$bn)	1.4	1.3	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.9
Net Investment Income (\$bn)	13.7	12.3	7.0	5.1	5.1	6.3	5.2	4.8	3.3	3.2
Net Investment Income (%)	4.16%	3.81%	2.29%	1.78%	2.03%	2.91%	2.52%	2.49%	1.86%	3.69%

Source: NEAM, S&P Capital IQ Pro

Table 2. Earned Investment Income Contribution by Asset Class

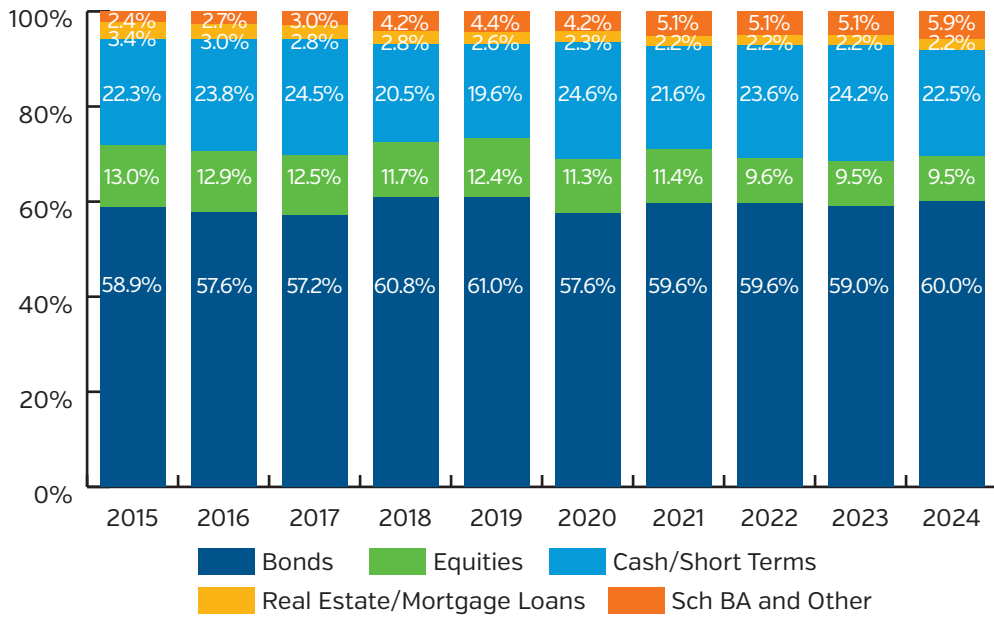
Asset Class/Sector	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Taxable Bonds	53%	50%	60%	64%	63%	55%	56%	50%	63%	64%
Tax-Exempt Bonds	0%	0%	0%	1%	0%	0%	0%	0%	0%	2%
Equities	7%	6%	8%	15%	16%	15%	15%	12%	13%	12%
Sch. BA [Alternatives]	4%	5%	6%	6%	3%	4%	3%	19%	2%	3%
Mortgage/Real Estate	5%	6%	9%	11%	12%	10%	11%	12%	16%	16%
Cash/Short Term	30%	32%	15%	1%	5%	14%	13%	6%	3%	1%
All Other	1%	1%	2%	2%	1%	1%	2%	1%	2%	1%
Total Gross Earned(\$)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: NEAM, S&P Capital IQ Pro

BONDS & CASH/SHORT-TERM ALLOCATIONS REMAINED SUBSTANTIAL

Chart 1 illustrates the health insurance industry's statutory asset allocation across broad sectors over the past decade. The largest allocation was to bonds, which consistently represented about 60% of total invested assets. Cash and short-term investments formed the second largest sector, showing modest fluctuations over the period. Other invested assets (Schedule BA assets) experienced steady growth, reaching 5.9% in 2024. Equity allocations have remained below 10% following the 2022 stock market downturn.

Chart 1. Broad Sector Asset Allocation

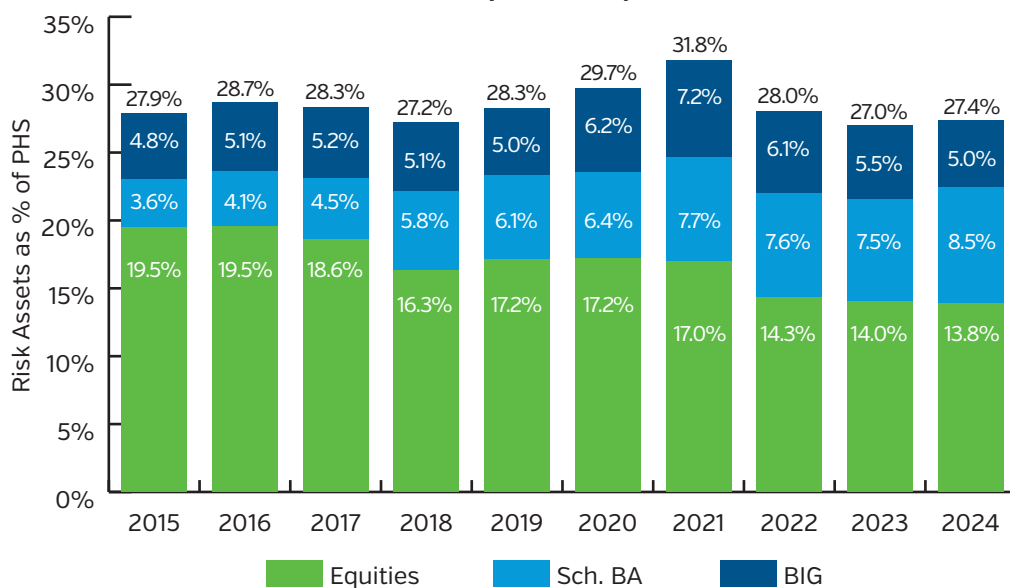


Source: NEAM, S&P Capital IQ Pro

RISK ASSET ALLOCATION STEADY: EQUITIES DECLINED & SCHEDULE BA INCREASED

As shown in Chart 2, the health insurance industry's allocation to risk assets, as a percentage of statutory surplus, increased slightly in 2024, following declines in 2022 and 2023. Equity allocations fell to a decade-low of 13.8% in 2024, while Schedule BA assets reached a decade-high. Overall, total risk asset allocation remained relatively stable over the past decade, except for 2021, when it peaked at 31.8%. To understand the potential implications of owning risk assets, we encourage insurers to utilize a holistic enterprise framework that incorporates underwriting characteristics and business profiles in their asset allocation analysis.

Chart 2. Risk Asset Allocation (% of Policyholder Surplus)

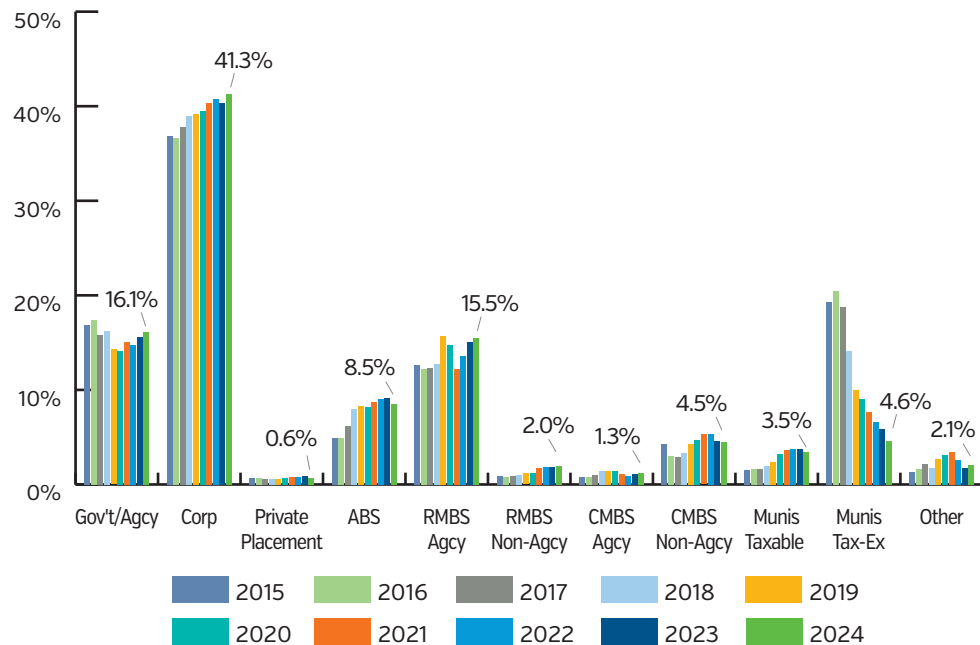


Source: NEAM, S&P Capital IQ Pro

GROWTH IN CORPORATE BONDS & STRUCTURED SECURITIES, & DECLINE IN TAX-EXEMPT MUNICIPAL BONDS

Chart 3 highlights trends in the health insurance industry's fixed income sector allocations over the past decade. Corporate bonds remained the largest sector and steadily increased, reaching a decade-high of 41.3% in 2024. In contrast, tax-exempt municipal bonds, once accounting for over 20% of total bond holdings, experienced the most significant decline, falling to just 4.6% in 2024. Allocations to structured securities rose throughout the decade, led by asset-backed securities (ABS) and agency residential mortgage-backed securities (RMBS), potentially reflecting efforts to shift to higher-quality securities with attractive yields. Another notable trend was the rebound in government/agency bond allocations in recent years, following a low point in 2020.

Chart 3. Fixed Income Sector Allocation



Source: NEAM, S&P Capital IQ Pro

FIXED INCOME BOOK YIELD ROSE FOR THE THIRD CONSECUTIVE YEAR

Table 3 displays the health insurance industry's book yield by sector over the past decade. In 2024, the total book yield rose by 26 basis points (bps), following significant increases of 68 bps in 2023 and 94 bps in 2022. The prolonged high-yield environment pushed the industry's book yield to a decade-high of 4.06% as of year-end 2024. ABS remained the sector with the highest book yield, despite an 18 bps decline in 2024. Government and agency bonds recorded the largest increase in book yield for the year, followed by corporate bonds.

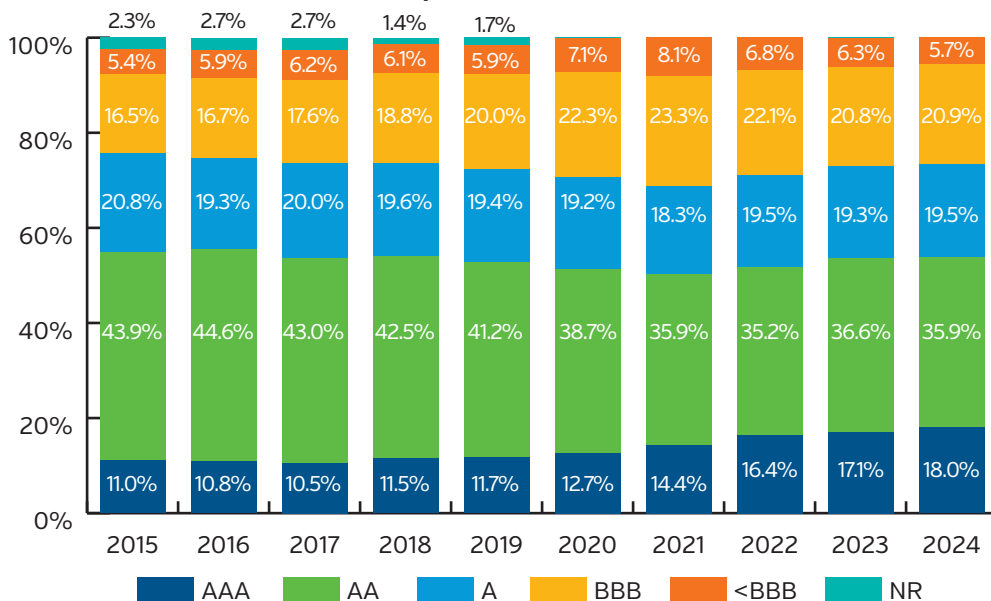
Table 3. Fixed Income Book Yield [%]

Sector	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Gov't/Agcy	3.54	3.14	2.22	1.29	1.43	2.15	2.34	1.81	1.60	1.64
Corp	4.29	3.94	3.31	2.68	2.98	3.40	3.43	3.13	3.14	3.21
Private Placement	5.05	5.02	4.45	3.80	4.40	4.31	4.08	3.89	4.04	3.90
ABS	5.11	5.29	4.24	1.81	2.18	3.13	3.29	2.49	2.23	2.00
RMBS - Agcy	3.81	3.52	2.93	1.79	2.03	2.92	3.09	2.75	2.64	2.83
RMBS - Non Agcy	4.54	4.31	3.54	2.44	3.08	3.92	4.78	4.84	4.94	5.31
CMBS - Agcy	3.63	3.31	2.55	2.09	2.36	2.90	2.92	2.37	2.13	2.41
CMBS - Non Agcy	4.20	4.17	3.56	2.25	2.62	3.13	3.28	2.98	2.79	2.90
Munis - Taxable	3.47	3.24	2.83	2.46	2.68	3.27	3.45	3.17	3.20	3.28
Munis - Tax-Exempt	3.02	2.89	2.73	2.47	2.56	2.72	2.59	2.44	2.53	2.85
Grand Total	4.06	3.80	3.12	2.18	2.44	2.99	3.07	2.69	2.63	2.76

Source: NEAM, S&P Capital IQ Pro

CREDIT QUALITY IMPROVED AMID HIGHER INTEREST RATES

Chart 4 illustrates how the health insurance industry's fixed income credit quality has evolved over the past decade.⁴ Until 2021, health insurers steadily increased allocations to BBB-rated and below-investment-grade bonds in pursuit of higher yields. However, this trend reversed beginning in 2022, when the Federal Reserve started raising interest rates. Companies responded by shifting toward higher-quality bonds (rated AAA to A), including sectors offering attractive yields such as government/agency bonds, ABS, and agency RMBS.

Chart 4. Fixed Income Credit Quality

Source: NEAM, S&P Capital IQ Pro

DURATION REMAINED RANGE-BOUND

Table 4 presents the option-adjusted duration (OAD) by fixed income sector, based on CUSIP-level holdings extracted from Schedule D statutory filings. Bonds held at the holding company level, as well as derivatives and private placements, are excluded. The health insurance industry's total OAD has remained stable over the past decade, ranging from a low of 4.3 to a high of 4.7. In 2024, total OAD shortened by 0.1, driven primarily by structured securities, particularly ABS. While overall duration has remained rangebound over the last decade, healthcare writers face specific considerations, such as short-tailed liabilities and liquidity needs that suggest duration should be managed within a broader strategic allocation framework to meet company-specific requirements.

Table 4. Fixed Income Option Adjusted Duration (years)

Sector	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Gov't/Agcy	4.9	5.0	4.9	4.9	4.8	4.8	4.4	4.6	4.6	4.4
Corp	4.2	4.2	4.4	4.6	4.7	4.0	3.9	4.1	4.1	4.2
ABS	1.8	2.3	2.6	2.3	2.1	2.3	2.3	2.3	1.8	2.2
RMBS - Agcy	5.6	5.9	6.7	5.0	4.0	4.4	5.1	4.8	5.2	4.0
RMBS - Non Agcy	4.2	4.4	4.7	3.5	2.7	3.1	3.4	3.7	3.4	2.0
CMBS - Agcy	4.2	4.3	4.5	4.4	4.9	5.3	5.6	4.6	3.8	4.5
CMBS - Non Agcy	3.0	3.1	3.4	4.0	4.3	4.4	4.3	4.6	4.2	3.5
Munis - Taxable	5.5	5.6	5.8	6.2	6.5	6.0	4.9	4.6	4.9	5.2
Munis - Tax-Exempt	5.6	5.5	5.9	5.1	5.7	5.7	5.5	5.7	5.5	5.5
Grand Total	4.4	4.5	4.7	4.6	4.5	4.3	4.3	4.5	4.5	4.3

Source: NEAM, S&P Capital IQ Pro

KEY TAKEAWAYS

- The health insurance industry's net investment income reached a decade-high of 4.16% in 2024, driven by elevated yields and increased contributions from cash and short-term investments.
- While bonds remained the dominant asset class, holdings in other invested assets, including Schedule BA assets, increased steadily and equity allocations declined gradually over the past decade.
- Allocations to risk assets remained stable, as growth in Schedule BA assets offset the reduction in equities.
- Among fixed income sectors, corporate bonds and structured securities increased, while tax-exempt municipal bonds experienced the most significant decline over the past decade.
- The fixed income book yield reached a decade-high of 4.06%, reflecting the continued high-interest rate environment.
- Fixed income credit quality has generally improved in recent years, while duration has remained rangebound.

We can provide tailored analyses that benchmark your enterprise profile, investment strategy, and performance against the industry aggregates presented in this report and selected peers. These insights can support strategic decision-making regarding risk tolerance and investment approach.

ENDNOTES

¹ Health insurance companies whose invested assets exceeded US \$50m and statutory surplus exceeded US \$10m as of year-end 2023.

² Twelve companies whose financial statements were unavailable as of May 9, 2025, are excluded: invested assets of US \$324bn included in 2024 data (~92% of industry total \$352bn).

³ Includes income earned from all investments, such as interest and dividends from bonds, stocks, mortgages and real estate, excluding realized or unrealized capital gains.

⁴ Beginning in 2020, the NAIC credit rating reporting expanded from 6 to 20 categories. The NR category shown for 2019 and prior years consists of mostly true private placement securities.



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