



Review & Preview

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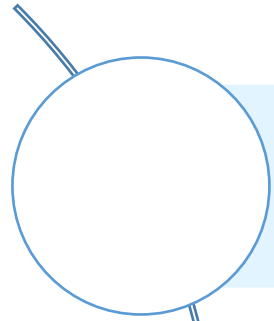
Offshore Annuity Reinsurance Capital – Efficiency or Risk Avoidance? Private Equity Ownership?

Ed Kohlberg – Director, AM Best
Rosemarie Mirabella – Director, AM Best

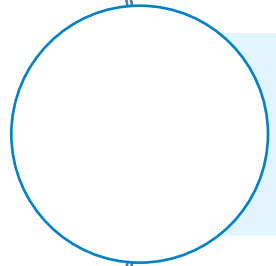
This session has live Q&A – please submit questions via the “Ask A Question” icon in the session navigation bar



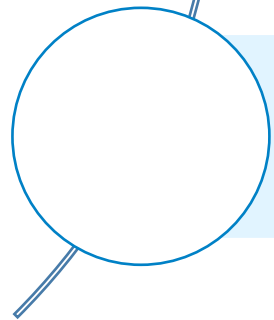
Agenda



Market Overview



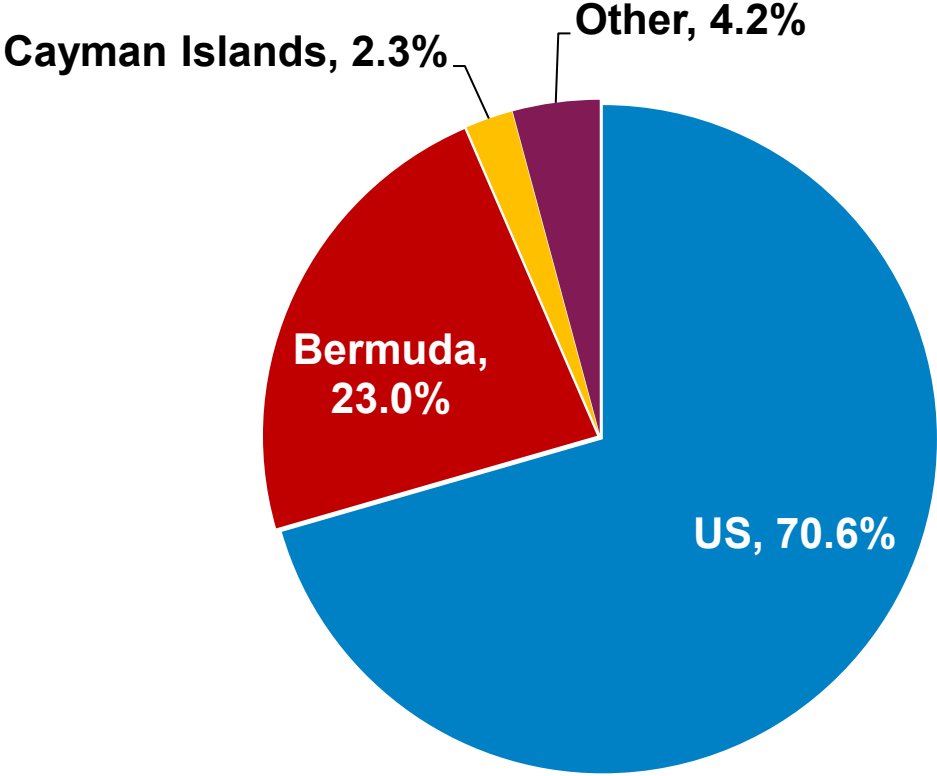
Business Rationale



Building Block Considerations

Market Overview

2022 Reinsurer Domicile Reserve Credit Taken



Based on total reserve credits taken.

Ceded Business by Product Type

Type of Business Ceded	% Reserve Credit Taken in 2022	% Reserve Credit Taken in 2021
AXXX Life	18.6	19.6
Fixed Annuities	16.8	15.4
Indexed Annuities	13.7	12.0
Other Annuities	6.1	6.7
Other Life	23.7	23.7
Variable Annuities	3.6	2.7
XXX Life	16.3	18.8
Other	1.1	1.1
Grand Total	100.0	100.0

Bermuda – Reserve Credit Taken 2022 Affiliated and Non-Affiliated

Rank	Reinsurer	Reserve Credit Taken in 2022 (\$ billions)
1	Global Atlantic Re Limited	43.1
2	Hannover Life Reassurance Bermuda Ltd	36.1
3	Athene Life Re Ltd.	29.4
4	Martello Re Ltd	16.4
5	Wilton Reinsurance Bermuda Limited	13.9
6	RGA Americas Reinsurance Company Ltd	12.5
7	Freestone Re Ltd	10.0
8	SFG Bermuda Ltd	9.5
9	Kubera Insurance (SAC) Ltd	8.9
10	Ivy Re Limited	7.5
Total		187.3

Cayman Island – Reserve Credit Taken 2022 Affiliated and Non-Affiliated

Rank	Reinsurer	Reserve Credit Taken in 2022 (\$ billions)
1	Talcott Life & Annuity Re Ltd	13.2
2	Everlake Reinsurance Limited	6.3
3	Knighthead Annuity & Life Assurance Co	2.0
4	North End Re (Cayman)	1.7
5	Tokio Marine RSL Re PIC, Ltd	1.5
6	Aureum Reins Co Ltd	0.6
7	Ludlow Re Spc Ltd	0.5
8	F&G Cayman Re Ltd	0.5
9	Crestline Re SPC	0.2
10	Best Meridian International Ins Co SPC	0.1
Total		26.6

US – Reserve Credit Taken 2022 Affiliated and Non-Affiliated

Rank	Reinsurer	Reserve Credit Taken in 2022 (\$ billions)
1	Prudential Legacy Insurance Co NJ	48.0
2	Commonwealth Annuity and Life Ins Co	47.8
3	RGA Reinsurance Co	43.8
4	Hannover Life Reassurance Co of America	34.2
5	Protective Life Insurance Co	24.7
6	Athene Annuity & Life Assurance Co	24.4
7	Brighthouse Reinsurance Co of Delaware	23.4
8	Security Life of Denver Insurance Co	21.9
9	Empower Annuity Insurance Co of America	21.4
10	Prudential Arizona Reins Universal Co	19.9
Total		309.5

Why Bermuda?

- British territory close to the US – originally provided tax advantages for captives
- Cost of capital much less under Bermuda solvency requirements compared to US statutory
- Increased flexibility of assets that can be added to a portfolio
- Solvency II equivalence
- Has qualified and reciprocal jurisdiction with the NAIC
 - Allows for full reserve credit

Why Bermuda? (Cont'd.)

Regulatory Developments

- Evolving
- Bermuda being more restrictive
- Business shift?

Polling Question #1

Do you feel there is a need for increased regulation in this space?

- a. Yes
- b. No
- c. Yes, but should follow US model
- d. Depends

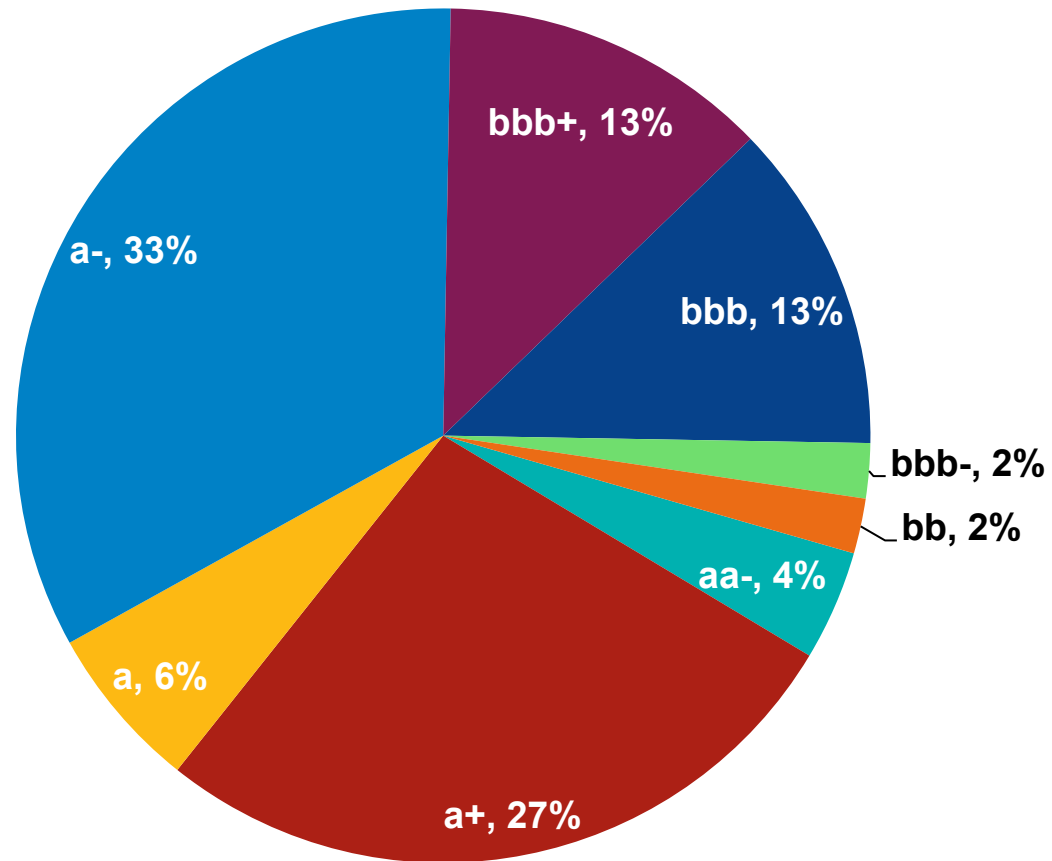


Business Rationale

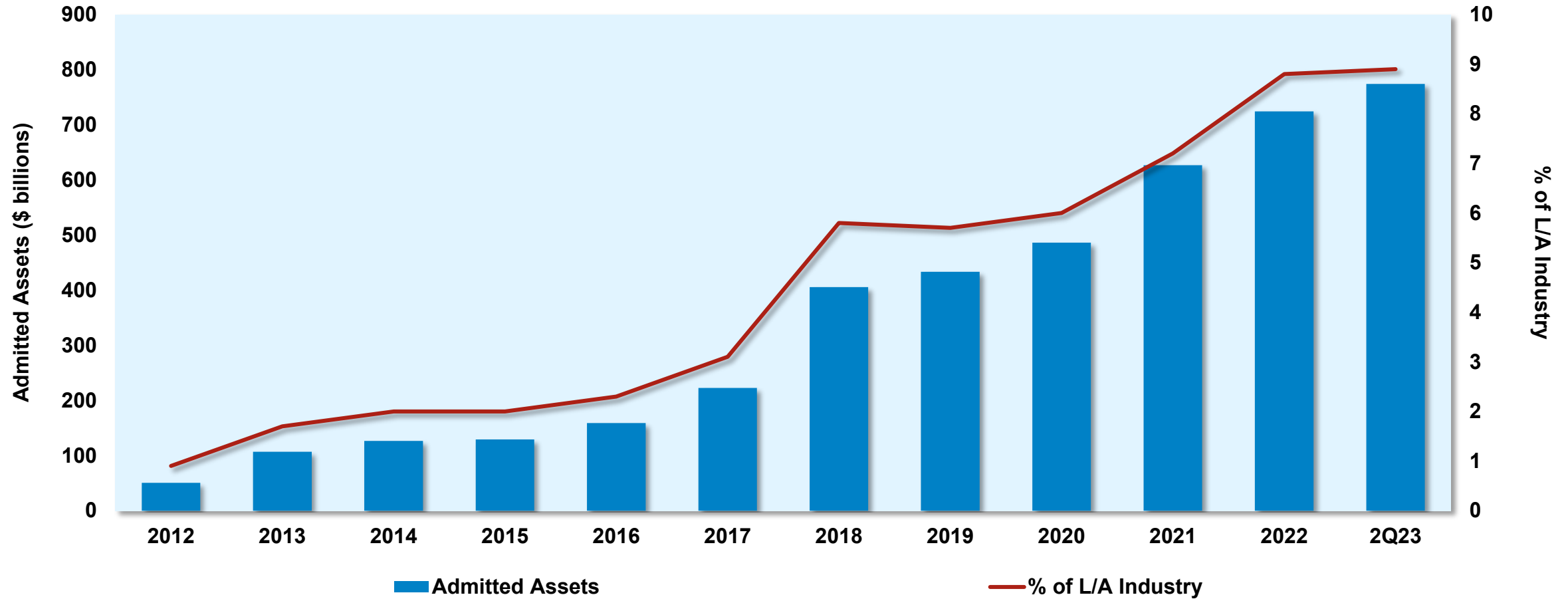
Key Players/Form

- Large international reinsurers
- Private equity-owned insurers/stock insurer
 - Mutual companies starting
 - Property and casualty early days interest
- Side car transactions
 - Capital relief/on-demand capital
 - Scale
 - New investors
- Affiliated/non-affiliated

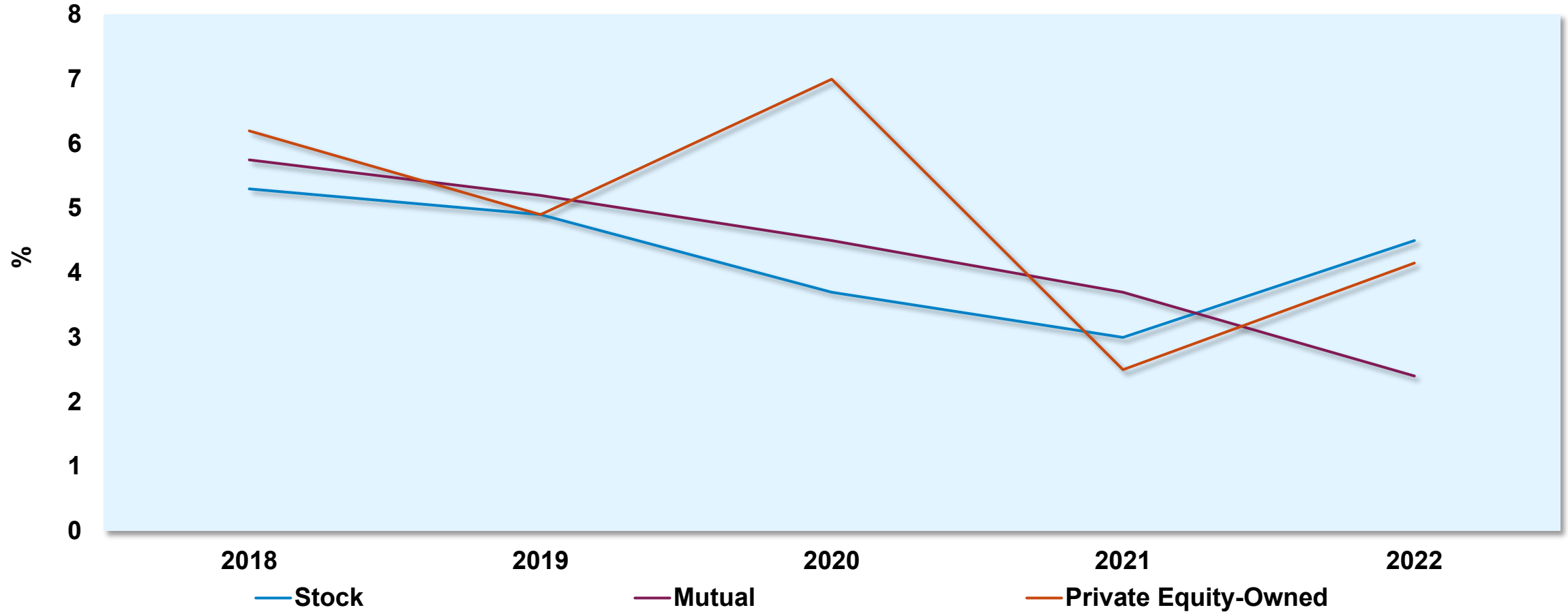
Private Equity and Investment Manager-Owned Insurers' ICRs



L/A Private Equity and Investment Manager-Owned Insurers – Admitted Assets

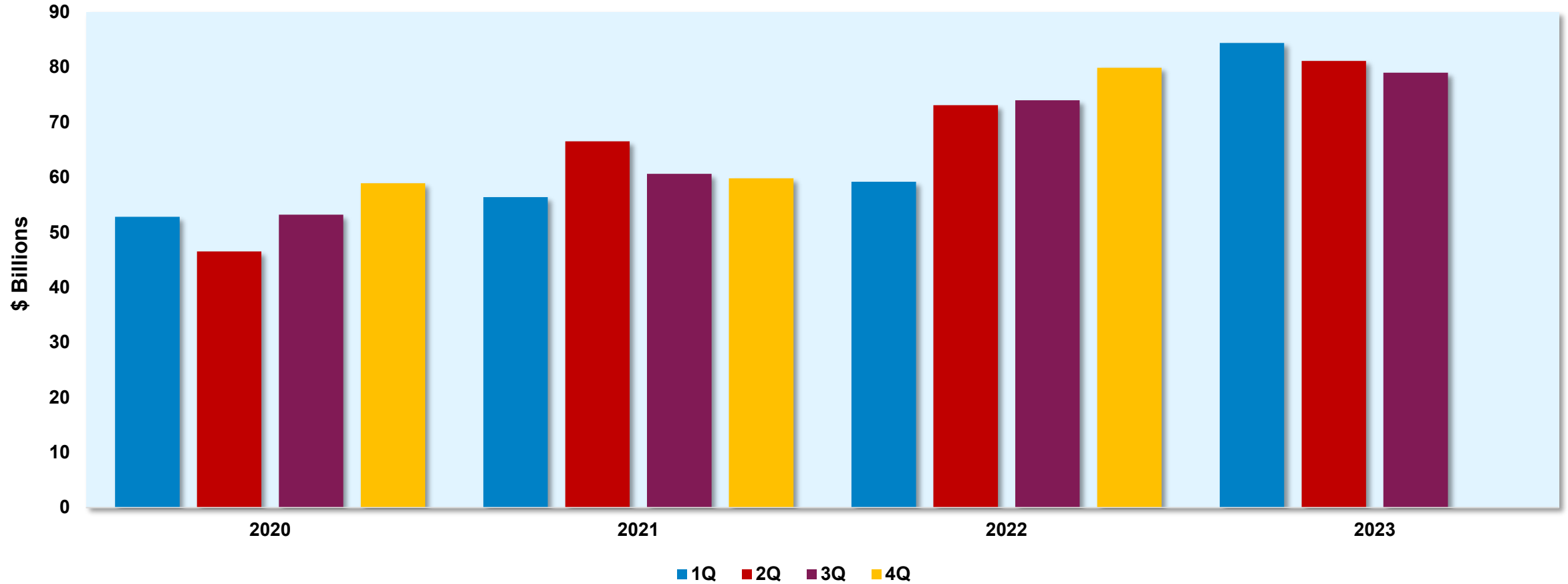


L/A – Median ROE by Organizational Structure



Annuity Sales Trends

Individual Annuity Direct Premiums by Quarter



Polling Question #2

What is the primary business rationale for using offshore reinsurance?

- a. Capital efficiency
- b. Tax efficiency
- c. Competitiveness
- d. Other



Credit Implications – Pros

**Necessary for
Market
Competitiveness**

**Geographic Risk
Diversification**

Capital-Efficient

**Support Balance
Sheet Growth**

**Accounting/Tax
Benefits**

Credit Implications – Cons

**Operational
Complexity**

**Counterparty
Credit Risk**

**Concentrated
Investment
Strategy**

Higher Costs

**Recent Regulatory
Scrutiny**

Building Block Considerations

Building Block Considerations

Balance Sheet Strength

- Lower required capital
- Usually, increased investment risk
- Liquidity pressures
- Collateral requirements/valuation risks

Balance Sheet Strength Considerations

Quantitative

Qualitative

Building Block Considerations (Cont'd.)

Operating Performance

- Tax consequences/considerations
- Capital-efficient/faster growth
- Potential for revenue stream diversification
- Additional costs for setting up captives, reinsurance, etc.

Building Block Considerations (Cont'd.)

Business Profile

- Regulatory
- Operating complexity
- Get to scale faster and improved competitive market position

Product Profiles

Traditional fixed annuities

Indexed annuities

Pension risk transfer (PRT)

Universal life secondary guarantees

Any other long-dated or capital-intensive product

Block reinsurance transactions

Building Block Considerations (Cont'd.)

ERM

- Enhanced operational controls over non-affiliated reinsurers
- Heightened global corporate governance
- Consolidated stress testing capabilities
- Measured growth

Polling Question #3

What is your company's position on offshore reinsurance?

- a. Use a third party
- b. Have an affiliate reinsurance company
- c. Have both
- d. Looking to get reinsurance
- e. Not interested



Q&A



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