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## Fortitude Re, Midwest Holdings pursue 'triangle' strategies

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By Editorial Staff    Tue, Jan 4, 2022

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*Fortitude Re, a reinsurer backed by The Carlyle Group, a \$276 billion private equity firm, is completing its annuity-reinsurance-asset management strategy. Midwest Holdings' life insurer, American Life, has launched a new indexed annuity pegged to an 'ESG' index.*

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Fortitude Re, a major practitioner of what *RIJ* has called the “[Bermuda Triangle](#)” strategy, is growing.

A \$45 billion company built largely through acquisitions from AIG and backed by the Carlyle Group, which manages assets worth \$276 billion worldwide, Fortitude Re has formed a Bermuda multi-line reinsurer and acquired a US life insurer, according to a release this week.

By Bermuda Triangle strategy, we mean the trend, which began after the global financial crisis and has accelerated, of asset managers entering the fixed annuity business, where their affiliated life insurers issue contracts, they redeploy a large portion of the assets into marketable private credit or asset-backed securities, and their affiliated reinsurers release surplus capital for the life insurers through regulatory arbitrage.

In a related move, Fortitude Reinsurance Company Ltd., Bermuda’s largest multi-line reinsurer, said it has obtained approval to operate as a Reciprocal Jurisdiction Reinsurer, the first such approval to be granted by the Texas Department of Insurance. Fortitude Re can now “transact through multiple entities and structures to help its clients achieve their objectives,” the release said.

Today’s announcement follows other recently announced transactions that added to Fortitude Re’s franchise, including the acquisition of two U.S.-domiciled third party administrators from American International Group, Inc. and the pending acquisition of Prudential Annuities Life Assurance Corporation and its in-force legacy variable annuity block from Prudential Financial, Inc.

Effective January 1, 2022, Fortitude International Reinsurance Ltd. (FIRL) commenced operations as a Class 4 and Class E reinsurer, licensed by the Bermuda Monetary Authority. FIRL will complement Fortitude Re’s other operating entities and focus on reinsurance solutions for insurers domiciled outside the US

In addition, on January 3, 2022, Fortitude Re completed its acquisition of Rx Life Insurance Company (to be renamed Fortitude US Reinsurance Company) (Fortitude Re US) from Heritage Life Insurance Company. Fortitude Re US, which will serve as a US reinsurance platform for Fortitude Re, is an Arizona domiciled life and annuity insurer widely licensed in the US. This acquisition will enable Fortitude Re to offer clients a US-domiciled reinsurance option.

With the aim of extending its reciprocal jurisdiction reinsurer status beyond Texas, FRL expects to seek similar status in other selected US jurisdictions in the near future, the release said.

FRL's Reciprocal Jurisdiction Reinsurer status allows US ceding companies to take full statutory credit for reinsurance ceded to FRL without any regulatory prescribed collateral requirements, effectively treating FRL for these purposes as a US domiciled reinsurer. FRL is among the first reinsurers to obtain such status in the US.

"The transactions and regulatory approval represent an important step in the evolution and expansion of the capabilities Fortitude Re is able to offer to clients to solve their most complex challenges. With the establishment of FRL, we expect to grow our international reinsurance business in Asia and the U.K. and European markets," said James Bracken, Fortitude Re CEO, in the release.

#### **Midwest Holding's new indexed annuity uses an ESG benchmark**

Midwest Holding Inc., a company designed to blend the issuance of fixed indexed annuities with reinsurance and asset management capabilities, announced this week that its life insurer, American Life & Security Corp, has launched the industry's first fixed annuities based on the S&P 500 ESG Index. ESG stands for Environmental, Social, and Governance.

The S&P 500 ESG Index consists of a subset S&P 500 companies, designed for investors seeking socially responsible investments aligned with a mainstream index, a Midwest Holding release said.

Midwest Holding Inc. describes itself as a "technology-enabled life and annuity company," according to its website. It uses its "technology platform and reinsurance-supported capabilities to develop and distribute insurance products through third-party independent marketing organizations (IMOs)." The four coordinated businesses of Midwest Holdings are:

- **m.pas.** Midwest's cloud-based Policy Administration Solution. As a licensed TPA, it

provides straight-through innovation and custom end-to-end policy administration infrastructure for fast product launches.

- **1505 Capital.** An SEC-registered investment advisor. We are building unparalleled risk-management technology designed to implement innovative asset liability management solutions for ourselves and our clients.
- **American Life & Security Corp.** A Nebraska-based insurer founded in 1960 and reimaged in 2018, American Life leverages m.pas and 1505 Capital to provide life and annuity products. American Life & Security Corp. sells, underwrites, and markets annuities in 20 states and the District of Columbia.
- **Seneca Re.** A Vermont sponsored captive reinsurance company which, with its 1505 Capital, brings capital markets-oriented capacity to the US insurance market.

The company was founded in 2003 and booked \$12 million in revenue for the 12 months ended September 30, 2020. It listed on the Nasdaq under the symbol MDWT in December 2020. Piper Sandler was the sole bookrunner on the deal.

Its stock price peaked on November 10, 2021 at more than \$41, but the price fell sharply starting then and has traded below \$20 since then. In November, the company's founder and co-chief executive, Michael Salem, left the company.

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