# American Life & Security FIA adds ‘macro regime’ index

By Editorial Staff *Thu, Jan 20, 2022*

*Midwest Holdings has only about $77 million in market cap, but it wants to be on the leading edge of the 'convergence of insurance and investments.' Its American Life & Security subsidiary sells fixed annuities.*

American Life & Security, a Nebraska-based, B++ rated fixed indexed annuity (FIA) issuer that got new life in 2018 after asset manager Vespoint LLC bought control of its owner, Midwest Holding, will offer the Goldman Sachs Xenith Index to owners of its FIA contracts, according to a release.

Vespoint aims to capitalize on the “convergence” of the insurance and asset management businesses, according to a November 2021 investor presentation. “The insurance industry is archaic; Midwest is here to help,” their website said.

Midwest Holding describes itself as a technology-enabled, services-oriented annuity platform. Midwest designs and develops in-demand life and annuity products that are distributed through independent distribution channels, to a large and growing demographic of US retirees. Midwest Holding went public on NASDAQ in December 2020 and has a market capitalization of about $78 million.

Midwest “originates, manages and transfers these annuities through reinsurance arrangements to asset managers and other third-party investors. Midwest also provides the operational and regulatory infrastructure and expertise to enable asset managers and third-party investors to form, capitalize and manage their own reinsurance capital vehicles,” the Midwest website says.

“We are a unique cross-disciplinary team of insurance, technology and investment professionals building innovative businesses at the intersection of insurance and technology,” according to a release.

Midwest Holding has assembled the machinery to execute that strategy: a fixed annuity issuer, a reinsurer in a regulatory haven (Seneca Re in Vermont), 1505 Capital, a registered investment advisor, and a cloud-based policy administration system, m.pas, according to its website.

The group’s latest announcement involves its licensing agreement with Goldman Sachs for the Xenith index, which uses macro-regime asset allocation. According to Goldman Sachs’

**paper** on the index:

The Goldman Sachs Xenith Index is designed to provide exposure to a diversified portfolio that adjusts its exposure between five underlying assets… depending on whether a monthly Growth Signal is signaling a rising economic growth or a decreasing economic growth environment. In a rising growth environment, higher exposure will be allocated to equities and copper than in a decreasing growth environment and, in a decreasing growth environment, higher exposure will be allocated to fixed income and gold than in a rising growth environment.

Regardless of the growth regime, the basket will always provide a constant exposure to the Commodity Curve Component… the Index is also subject to a volatility control mechanism that adjusts the exposure of the Index to the Underlying Assets in order to achieve a predefined volatility target of 5%, subject to a leverage cap of 125%.

"Instead of relying purely on the S&P 500 Index for exposure to US equities, the index employs an intraday overlay that can reduce equity exposure based on intra-day trading 'signals.' As a result, the strategy incorporates real-time market movements, in addition to other factors, in its rules-based methodology," a Midwest Holding release said.

Depending on the prevailing market regime, the Goldman Sachs Xenith Index also provides commodity exposure by switching between copper and gold based on anticipated economic growth.

Midwest Holding recently announced the closing of a majority ownership sale of a consolidated reinsurance facility to a subsidiary of ORIX Corporation USA (ORIX USA). Under the terms of the agreement, a subsidiary of ORIX USA purchased approximately 70% of Seneca Incorporated Cell, LLC 2020-01 (SRC1), a Midwest consolidated reinsurance cell.

Midwest established SRC1 in early 2020 as the first reinsurance cell of Seneca Re, a Vermont domiciled captive reinsurance company. SRC1 has reinsured premium from its sister insurance company and Midwest subsidiary, American Life & Security Corp. ORIX Advisers, LLC, another subsidiary of ORIX USA, will be the manager of the assets underlying SRC1's reinsurance obligations going forward, replacing Midwest's asset management arm, 1505 Capital LLC.

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