

## Bermuda Shorts

By Editorial Staff     Mon, Dec 2, 2024

*Corebridge loses \$1.2 billion on Fortitude Re derivative; Brighthouse turns to reinsurance for capital support; Kuvare-owned life insurer enhances FIA; RGA sidecar raises \$480 million in capital.*



### **Corebridge loses \$1.2 billion on Fortitude Re derivative**

Corebridge Financial Inc. posted a net loss of \$1.18 billion, attributable to common shareholders for the third quarter, compared to a net income of \$2.10 billion for the same period a year earlier, the former AIG unit reported.

The change was due to higher realized losses driven by the Fortitude Re “funds/withheld” embedded derivative, according to the company’s earnings announcement. This also impacted Corebridge in the fourth-quarter of 2023, when it reported a \$1.3 billion loss. The company had swung back to profitability for the first two quarters of the year before reporting its third-quarter loss.

The company also saw a pre-tax loss of \$1.59 billion compared to pre-tax income of \$2.46 billion for the same period a year earlier. The company conducted its annual actuarial assumption review during the quarter, which decreased pre-tax income by \$79 million in the current year compared to a \$22 million increase in the prior year.

Premiums and deposits increased 5% year-over-year to \$9.6 billion in the third quarter. Excluding transactional activity—such as pension risk transfer, guaranteed investment contracts and group retirement plan acquisitions—premiums and deposits grew 20% over the same period, primarily driven by an increase in fixed annuity deposits, the company said.

The increases came because the company capitalized on market dynamics and its “broad product suite and distribution network,” Corebridge Financial President and Chief Executive Officer Kevin Hogan said in a statement. “Last month we initiated the largest product launch in our company’s history, expanding on what is already one of the broadest annuity platforms in the industry with our first registered index-linked annuity, or RILA.”

### **Brighthouse turns to reinsurance for capital support**

Brighthouse Financial Inc. is working on “multiple reinsurance transactions and is considering revising how it hedges annuities to boost its risk-based capital (RBC) ratio,” president and CEO Eric Steigerwalt said, according to a report from AM Best.

“We are working on multiple reinsurance opportunities, both in-force and flow reinsurance,” Steigerwalt said. “We have been working on one particular agreement with a third-party to reinsure a legacy block of fixed and pay-out annuities. We’re in the final stages and expect to enter into this reinsurance before the end of the year.”

So far, one reinsurance transaction had received approval, Steigerwalt said, without disclosing specifics. The transaction would result in an RBC ratio within Brighthouse’s target range of 400% to 450%, he said—up from the 365% to 385%, which is below the target.

Brighthouse, formerly MetLife’s individual annuity business, posted net income available to shareholders of \$150 million in the third quarter, compared with net income of \$453 million in the same period a year earlier.

Brighthouse’s “risk-based capital ratio was pressured in the second quarter by variable annuity sales,” according to AM Best. The company reported a net income of \$9 million in the second quarter, compared with a net loss of \$200 million a year earlier, according to an earnings statement.

In 3Q2024, Brighthouse posted annuity sales of \$2.53 billion, down slightly from \$2.6 billion a year earlier. Life insurance sales increased to \$30 million in the quarter from \$25 million in 2023.

Chief Financial Officer Ed Spehar said the company might split its Shield products and variable annuities into two categories, new business and in-force blocks, in order to hedge each one on a standalone basis. The goal is to see better protection in an “extreme bear market scenario,” Spehar said in the release.

“For the legacy block, we are developing a new hedge strategy and expect this work to continue into 2025,” he said. “Normalized statutory results reflect the continuation of a negative impact from new business strain which we anticipate will be lessened in future quarters as a result of hedging all of our Shield new business on a standalone basis.”

Rated entities of Brighthouse Financial Inc. have current Best's Financial Strength Ratings of A (Excellent). Shares of Brighthouse Financial (NASDAQ: BHF) traded at \$50.92 on the afternoon of Nov. 8, down 0.33% from the previous close.

#### **Kuvare-owned life insurer enhances FIA**

Guaranty Income Life Insurance Company (GILICO), a Kuvare company, has launched new crediting options for its WealthChoice Fixed Indexed Annuity (FIA), available starting November 18th.

There are two crediting strategies with rates guaranteed through the surrender charge period by GILICO:

- S&P 500® Dynamic Intraday TCA Index Cap targets a 15% volatility level and combines the S&P 500 with cash, adjusting dynamically throughout the day to manage market fluctuations. This strategy provides more stability compared to traditional equity indexes, while also offering the potential for higher crediting rates, making it attractive for clients seeking risk-managed performance in uncertain markets.
- Barclays Global Quality Index focuses on global diversification with a high-quality selection of stocks across a wide range of sectors. This index aims to balance risk and return by focusing on quality companies that are well positioned for long-term growth.
- There are also two S&P 500® Price Return Index crediting strategies:
- Performance Trigger that offers transparent returns.
- Bailout option that provides clients with penalty-free access to funds under certain conditions, strengthening financial peace of mind.

Kuvare offers life insurance, annuities, reinsurance, advisory, and asset management solutions. Founded in 2015 and headquartered in the Chicago area, Kuvare manages \$42 billion in assets. Its companies include Lincoln Benefit Life, Guaranty Income Life, United Life, and other Kuvare companies.

#### **RGA sidecar raises \$480 million in capital**

Reinsurance Group of America, Incorporated (NYSE: RGA) announced that Ruby Reinsurance Company (Ruby Re), its Missouri-domiciled third-party life reinsurance company, has successfully closed a second round of funding, raising a total of \$480 million in capital.

The second round includes capital commitments from AllianceBernstein L.P. , EnTrust

Global, and Enstar Group, among others, with AB appointing a member to the Ruby Re board of directors. Combined with the initial investments from Golub Capital, Hudson Structured Capital Management Ltd. (doing its reinsurance business as HSCM Bermuda), and Sammons Financial Group, Ruby Re's total capital raised of \$480 million is near the upper limit of the \$400 million-\$500 million target range for the vehicle.

"Ruby Re's successful second capital raise, closing at the top of our targeted range, marks a major milestone for this innovative insurance sidecar platform. With significant committed capital now in place, Ruby Re is primed to scale its asset-intensive capabilities and capacity," said Leslie Barbi, Executive Vice President, Chief Investment Officer, RGA, in a November 13 release. "The continued backing and support from our investment partners validates our strategy and our strong track record in asset-intensive reinsurance."

"Our investment in Ruby Re affirms AB's continued strategic focus on the insurance market and in growing our investment management business. We are thrilled to partner with RGA on this differentiated platform and to participate in the asset-intensive reinsurance market," said Onur Erzan, Head of Global Client Group and Head of Bernstein Private Wealth.

Jefferies acted as financial advisor and Oliver Wyman provided actuarial support. Latham & Watkins LLP acted as legal advisors to RGA and Ruby Re. Additional terms are not being disclosed at this time.

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