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## Bermuda Shorts

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By Editorial Staff      *Wed, Jun 26, 2024*

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*Nassau Financial gets \$200 million from Golub Capital; AM Best affirms ratings of Aspida Group, backed by Ares Mgt; 3M swaps its \$2.5bn DB pension for a MetLife group annuity; Bermuda-based Apex Group sells \$1.1 bn of payment-in-kind notes to Carlyle and Goldman Sachs; Oceanview establishes reinsurer in Cayman Islands; Bermuda Triangle insurer receives 'negative' outlook.*

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### **Nassau Financial gets \$200 million and advisory services from Golub Capital**

Nassau Financial Group, a fixed annuity issuer and asset manager, will receive a \$200 million non-voting minority equity investment from Golub Capital, a direct lender and credit asset manager, the two companies announced last month.

Nassau and Golub Capital also will enter into a long-term Investment Management Agreement that will provide Nassau's insurance subsidiaries with access to Golub Capital's middle market direct lending strategies, through tailored capital-efficient solutions. The transaction is expected to close in the second half of 2024.

Nassau was in the news in May after a former subsidiary, PHL Variable Life, was deemed insolvent and taken into "rehabilitation" by the Connecticut insurance commission. In a 2021 restructuring, ownership of PHL Variable was "deconsolidated" from Nassau to Nassau's majority shareholder, Golden Gate Capital.

Nassau was founded in 2015 with start-up and subsequent capital provided by Golden Gate Capital, Nassau's majority controlling equity holder. It has since grown to \$24 billion in assets under management and \$1.6 billion in total adjusted capital. It had about 379,000 policies and contracts as of March 31, 2024.

Golub Capital will be the largest minority equity holder in Nassau. Fortress Investment Group invested in Nassau in 2023 and Wilton Reassurance Company and Stone Point Credit invested in 2021.

On the Golub transaction, Goldman Sachs served as Nassau's exclusive financial adviser and Sidley Austin LLP served as its legal adviser. Morgan Stanley & Co. LLC served as exclusive

financial adviser and Kirkland & Ellis and Foley Hoag as legal advisers to Golub Capital.

Nassau Asset Management oversees the assets of Nassau's insurance companies and offers its specialty investment strategies to third-party clients. These strategies include public and private debt, collateralized loan obligations (CLO) debt and equity, real estate debt and equity, and alternatives.

### **AM Best affirms ratings of Aspida Group, backed by Ares Mgt**

AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" (Excellent) of Aspida Life Insurance Company and Aspida Life Re Ltd. (Bermuda), collectively referred to as Aspida Group. The outlook of these Credit Ratings is stable.

The ratings reflect Aspida Group's balance sheet strength, its adequate operating performance, neutral business profile and appropriate enterprise risk management, an AM Best release said. The stable outlooks reflect the expectation that Aspida Group will continue to receive capital infusions and financial resources of Ares Management Corp. and third-party investors.

Aspida Group is pursuing reinsurance growth through block acquisitions and flow reinsurance treaties and retail growth by expanding its distribution partners and its competitive annuity product suite. Ares Insurance Solutions (AIS), a unit of Ares dedicated to Aspida Group, has repositioned and deployed assets, focusing on structured credit in pursuit of wider interest rate spreads and higher yields.

AM Best said its outlooks also reflect the maintenance of an appropriate enterprise risk management framework. Operating trends are expected to remain positive over the near- to medium-term as management continues to focus on interest rate spread management.

The very strong balance sheet strength assessment considers Aspida Group's risk-adjusted capitalization being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), and AM Best's expectation that Aspida Group will maintain similar levels of capital strength as the company executes its growth strategies.

Aspida Group had profitable adjusted operating income in 2023 and expects to continue to grow its operating income steadily driven by premium growth in both of its operating entities for the foreseeable future, the release said.

AM Best cautioned, however, that “Exposure to less liquid investments in Aspida Group’s general accounts are somewhat elevated compared with industry averages.” Aspida Group “does remain concentrated in interest-sensitive annuities, which currently account for all of its business... As with any newer organization, Aspida Group face execution risks, which are magnified by the increasingly competitive annuity market environment.”

### **In ~\$2.5bn PRT deal, 3M swaps DB pension for MetLife group annuity**

Metropolitan Tower Life Insurance Co. has entered into a pension risk transfer (PRT) agreement with the 3M Employee Retirement Income Plan, a defined benefits plan worth about \$2.5 billion, parent MetLife Inc. reported. A Metropolitan Tower group annuity will provide benefits to about 23,000 3M retirees and beneficiaries.

The group annuity contract was purchased from Metropolitan Tower Life Insurance Co. in June 2024, the release said. The 3M corporation’s retirees, retirees’ spouses and beneficiaries won’t see a change in the amounts of their monthly pension benefits.

Total U.S. pension risk transfer more than doubled in the first quarter, compared with the same period a year earlier, driven by so-called jumbo deals, according to the industry group LIMRA. PRT premium of \$14.6 billion in the first quarter was 130% above 2023 figures, the group said in its U.S. Annuity Risk Transfer Sales Survey.

Metropolitan Tower and other MetLife underwriting entities have Best’s Financial Strength Ratings of A+ (Superior). Shares of MetLife Inc. (NYSE: MET) traded at \$68.91 on the morning of June 17, up 0.53% from the previous close.

### **Bermuda-based Apex Group raises \$1.1 bn on sale of “PIK” notes to Carlyle and Goldman Sachs**

[Apex Group Ltd.](#) has received a \$1.1 billion investment infusion from Carlyle’s Global Credit business and Goldman Sachs Private Credit, raising Apex’s “assets on platform” to about \$3.1 trillion, “serviced across custody, administration, depository and under management,” the global financial services provider reported June 24.

Carlyle and Goldman Sachs have committed to Holdco PIK Notes of Apex to continue to support the company’s focus on “optimizing the current platform, strategy and combined investment in technology innovation.”

Goldman Sachs Private Credit and Carlyle Global Credit purchased an initial Preferred

Equity Note from Apex in 2020 and a follow-on issuance in 2021. Financial terms of the new investment were not disclosed.

Apex Group Ltd., established in Bermuda in 2003, provides financial services in 50 jurisdictions to asset managers, financial institutions, private clients, and family offices. The services include fund-raising solutions, fund administration, digital onboarding and bank accounts, depositary, custody, [Super ManCo](#), corporate services, and an “ESG ratings and advisory” solution.

Carlyle (NASDAQ: CG) manages \$425 billion (as of March 31, 2024) in private capital across three business segments: Global Private Equity, Global Credit and Global Investment Solutions. Goldman Sachs (NYSE: GS) manages more than \$450 billion worldwide in alternative investments, including private equity, growth equity, private credit, real estate, infrastructure, sustainability, and hedge funds.

The alternative investments platform is part of Goldman Sachs Asset Management, which supervises more than \$2.8 trillion in assets under supervision globally as of March 31, 2024. Established in 1996, the Private Credit unit at Goldman Sachs Alternatives manages \$130 billion in assets across direct lending, mezzanine debt, hybrid capital and asset-based lending strategies.

According to the [Corporate Finance Institute](#), a payment-in-kind or PIK loan allows borrowers to make interest payments in forms other than cash. It relieves the borrower of the burden of a cash repayment of interest until the loan term is ended. PIK loans are commonly used in leveraged buyout (LBO) transactions. In short, companies fund their liabilities with new liabilities.

Payment-in-kind loans (PIK) are usually issued by companies in poor financial condition that lack the cash to pay interest. The loans are purchased by lenders that don't depend on the routine cash flow of the borrower as the repayment source of their investments. The payment of interest may be made by issuing another debt or by the issuance of stock options. At maturity or the refinancing of the loans, the borrower repays the original loan plus the PIK debt.

Though investing in a PIK loan offers higher yield than other loans that are charged on a compound basis, the loans have drawbacks. They do not generate any cash flow before term, are subordinated to conventional debt and mezzanine debt, and are generally not backed by a pledge of assets. In addition, PIK loans are usually treated as unsecured credit.

They tend to lead to large losses in the event of a default.

From a borrower's perspective, PIK loans may be utilized as a **tranche** or part of a bigger funding package to finance acquisitions and leveraged buyouts in general. However, it must be noted that it is fraught with risk and very high interest rates.

PIK loans can provide a company with the cash needed to recover or simply increase its indebtedness and multiply the lenders' risks. Borrowers must weigh the benefits of the investments vis-à-vis their cost.

### **Oceanview establishes reinsurer in Cayman Islands**

Oceanview Holdings Ltd., a provider of annuities and reinsurance solutions, has announced the establishment of its new subsidiary, Oceanview Secure Reinsurance Ltd., in the Cayman Islands. This expansion "strengthens Oceanview's ability to deliver innovative reinsurance solutions globally," a company release said.

Oceanview Secure Reinsurance Ltd. has received a **Class D** Insurer's license by the Cayman Islands Monetary Authority (CIMA). This license will "complement and enhance Oceanview's ability to provide global clients with advanced reinsurance options and will facilitate a broader array of customized reinsurance products to meet a wide variety of client requirements," the release said.

Oceanview Holdings Ltd., established in 2018, provides retail annuities and asset-intensive reinsurance solutions through its subsidiaries. Oceanview Life and Annuity Company, an Alabama-domiciled insurer licensed in 47 states, and Oceanview Reinsurance, Ltd., a Bermuda Class E insurer, are rated "A" (Excellent) by A.M. Best. On a consolidated basis, Oceanview had over \$12 billion in assets as of year-end 2023.

### **Bermuda Triangle insurer receives 'negative' outlook**

Investors Heritage Life's (IHLIC) Long-Term Issuer Credit Rating (ICR) outlook has been down-graded to negative from stable by AM Best. The ratings agency affirmed the insurer's Financial Strength Rating (FSR) of B++ (Good) and the Long-Term ICR of "bbb+" (Good). The FSR outlook is stable.

Given its ownership by Aquarian Holdings since 2018, its subsequent issuance of fixed indexed annuities, and its affiliation with Bermuda reinsurer Somerset Re, IHLIC fits *RIJ*'s definition of a "Bermuda Triangle" company. The company launched the Heritage Builder

Multi-Year Guaranteed Annuity in 2018 and has since launched several fixed indexed annuity contracts.

The negative outlook for the Long-Term ICR reflects a decline in IHLIC's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), to weak from adequate as of year-end 2023, an AM Best release said.

"Surplus declined throughout the year driven by operating losses, changes in asset valuation reserve, and changes in non-admitted assets. These factors were offset partially by realized gains in the investment portfolio. Risk-adjusted capital continued to decline into the first quarter of 2024 and operating losses accelerated due to new business strain from the sale of its fixed-indexed annuity products.

"The company is considering reinsurance arrangements currently to reduce surplus strain, and AM Best expects the company to contribute capital to support its annuity product sales growth in the near term. The balance sheet assessment has been revised to reflect these factors," the release said.

The Credit Ratings reflect the insurer's balance sheet strength, which AM Best assesses as adequate, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

IHLIC's business profile was revised to neutral from limited, which is supported by its product and geographic diversification. Its improvements in market position, product concentration, and geographic concentration combined with its innovation initiatives should make the company more resilient to shocks in the market, AM Best said.

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