Breaking News

By Editorial Staff *Wed, Mar 23, 2022*

Equitable to buy CarVal, a $14.3bn alt-assets manager; Life/annuity industry capital and surplus at year-end 2021: $444.5 bn; HealthView Services reports on rising medical costs; PBCG licenses insurer data on pension risk transfers; PCN to distribute Jackson National fee-based annuities; Bermuda annuities firm under scrutiny from plaintiff's attorney; Lincoln Financial promotes Darrel Tedrow, Jim Tierney.

Equitable to buy CarVal, a $14.3bn alt-assets manager

Equitable Holdings, Inc., (NYSE: EQH) announced that its AllianceBernstein (NYSE: AB) subsidiary has agreed to acquire CarVal Investors L.P., an established global private alternatives investment manager with $14.3 billion in assets under management (AUM).

The transaction is expected to close in the second quarter of 2022. It will make CarVal a wholly owned subsidiary of AllianceBernstein L.P. It will be rebranded as AB CarVal Investors. The transaction is subject to customary regulatory and closing conditions. CarVal and its employees will continue to operate from its Minneapolis, Minnesota headquarters and offices around the world.

Equitable Holdings has ~12,200 employees and financial professionals, ~$908 billion in AUM (as of 12/31/2021) and more than five million client relationships globally, offering retirement, asset management and affiliated advice services. As of February 28, 2022, AllianceBernstein had ~$739 billion in AUM.

CarVal Investors focuses on "opportunistic and distressed credit, renewable energy infrastructure, specialty finance and transportation investments," an Equitable release said.

The transaction is expected to expand AB's "higher-multiple private markets platform to nearly $50bn in AUM and elevate AB into a leading private credit provider with direct origination capabilities," the release said.

AB will pay an upfront purchase price of $750 million and a multi-year earnout if certain targets are reached. The deal will be funded primarily through the issuance of AB Holding L.P. units, which are traded on the New York Stock Exchange. Equitable will allocate $750 million of general account assets into CarVal strategies to improve risk adjusted returns to policyholders; CarVal will have access to AB's global distribution platform.

The acquisition is part of Equitable's previously announced strategy to drive increased returns while growing AB's private markets business through a $10 billion capital commitment, by allocating $750 million of General Account assets to CarVal strategies.

Equitable cited its strong capital position, year-end cash of $1.6 billion at Equitable Holdings, and the design of the acquisition, which includes a significant portion to be paid through an earnout structure, as supportive of the transaction.

Life/annuity industry capital and surplus at year-end 2021: $444.5 bn

The US life/annuity (L/A) industry saw a 61% increase in net income to $36.2 billion in 2021 despite higher expenses and benefit payouts, according to a new Best's Special Report, titled, "First Look: 2021 Life/Annuity Financial Results."

The data is derived from companies' annual statutory statements received as of March 14, 2022, representing an estimated 93% of the total L/A industry's net premiums written.

According to the report, total expenses for the industry grew 7.6%, as an additional $10.6 billion transferred to separate accounts minimized the increases in death, annuity and surrender benefits. Pretax net operating gain for the industry was $51.8 billion, up 38.2% over the prior year. A $3.3 billion increase in tax obligations and $2.7 billion reduction of net realized capital losses contributed to the higher net income result.

Capital and surplus rose 9.0% from the end of 2020 to $444.5 billion, as the net income result plus contributed capital, changes in unrealized gains and other changes in surplus were reduced by a $15.1 billion change in asset valuation reserve and $33.3 billion of stockholder dividends.

HealthView Services reports on rising medical costs

Driven by the coronavirus pandemic and rising inflation rates, medical expenses are likely to consume larger amounts of retirees' incomes, according to HealthView Services' annual Retirement Healthcare Costs Data Report.

The report is based on data from 530 million healthcare cases, inflation rates of individual healthcare-cost variables, government data, and Medicare projections.

"Current data reveals that even if consumer prices were rising at historical average inflation (of around 3%), a significant portion of retirees' Social Security benefits would be needed to cover healthcare costs," according to HealthView Services.

"With inflation rising to a 40-year high of 7.9% in 2022, the impact on future expenses will be significant. The 2022 Medicare Part B premium increase of nearly 15% (a record-high $518 annually for a married couple) may be a harbinger for future healthcare cost increases."

Assuming healthcare costs grow at 1.5 to 2 times Consumer Price Index for the next two years, a healthy 55-year-old couple may be subject to anywhere from $160,000 to $267,000 in additional retirement healthcare costs, according to HealthView.

This will pose challenges for current and pre-retirees, and investment strategies and savings targets may need to be adjusted to reflect this new normal. Ultimately, a long-term strategic approach that focuses on in-retirement distributions to cover healthcare costs offers a path to ensure these expenses can be addressed.

Assumptions in the report are based on the expectation that the current period of high inflation is temporary and will revert to projections more consistent with historical averages. HealthView's primarily focuses on the long-term impact of high healthcare inflation for a one-to-two-year period, and highlights the link between rising consumer prices and higher healthcare costs. The paper also reviews how increased use of medical services and other critical factors will drive healthcare inflation.

PBCG licenses insurer data on pension risk transfers

The Pension Benefit Guaranty Corporation (PBGC) has agreed to license annuity buyout pricing data from BCG Pension Risk Consultants I BCG Penbridge, as of January 1, 2022, according to a BCG release.

The data will be used to support PBGC liability measurements that are intended to replicate pricing in the US group annuity market. The PBGC oversees US defined benefit pension plans.

The BCG annuity buyout pricing data includes summary statistics (mean and standard deviation) of annuity pricing rates that are collected via a monthly BCG survey of participating insurance providers.

The data is provided for predetermined case sizes and durations of defined benefit pension plan annuity buyouts. The data is used to estimate the premium that an insurance company would charge for a buyout of a defined benefit plan.

In addition to licensing the annuity buyout pricing data to third parties, BCG uses the data that it collects from participating insurers to maintain The BCG PRT Index, which was established in 2011 and is the longest standing pension buyout index in the United States.

The Index provides easy comparisons of annuity buyout pricing to various pension liability measures and can also be customized to a specific defined benefit plan for ongoing buyout price monitoring.

“The group annuity pension risk transfer market [saw] record sales volume of $38.1 billion in 2021, and key market indicators are pointing to continued growth in the years to come,” said Steve Keating, managing director of BCG.

There are currently 18 insurers active in the US pension risk transfer annuity buyout market, with 10 new entrants since 2014 that remain in the market. Of the 18 currently active insurers, 13 currently participate in BCG’s monthly survey as follows:

AIG	OneAmerica
Athene	Pacific Life
Fidelity & Guaranty	Principal
Legal & General	Prudential
MassMutual	Securian Financial
MetLife	Western & Southern
Mutual of Omaha	

PBGC insures single-employer and multiemployer private sector pension plans with over 33 million American workers, retirees, and beneficiaries. The agency’s two insurance programs are legally separate and operationally and financially independent. PBGC is directly responsible for the benefits of more than 1.5 million participants and beneficiaries in failed pension plans. BCG, based in Braintree, MA, specializes in assisting defined benefit plan sponsors with managing the costs and risks associated with their pension plans.

PCN to distribute Jackson National fee-based annuities

Jackson National Life Insurance Company and Producers Choice Network (PCN) are partnering to offer Jackson National’s fee-based advisory annuity products to the more than 6,500 investment advisor representatives (IARs) at Registered Investment Advisors (RIAs) served through PCN’s outsourced insurance desk, according to a release this week.

Bill Burrow, senior vice president, Private Wealth & Insurance Professionals, Jackson

National Life Distributors LLC, and Jamie Kosharek, president, Producers Choice Network, are key executives in the initiative.

PCN is a subsidiary of Raymond James. It distributes annuities to fee-based advisers through its One Insurance Solution for RIAs program. www.1insurancesolution.com.

Jackson Financial Inc. is a US holding company and the direct parent of Jackson Holdings LLC (JHLLC). Wholly owned subsidiaries of JHLLC include Jackson National Life Insurance Company, Brooke Life Insurance Company, PPM America, Inc. and Jackson National Asset Management, LLC.

Bermuda annuities firm under scrutiny from plaintiff's attorney

The law firm of KlaymanToskes reports that it continues to investigate potential FINRA arbitration claims on behalf of investors who sustained losses exceeding $100,000 in Northstar Financial Services (Bermuda) purchased through full-service brokerage firms, including Truist Investment Services (NYSE: TFC).

Northstar was a Segregated Accounts Company regulated by the Bermuda Monetary Authority, and marketed its fixed and variable annuity products as offering segregated account protection, allowances for liquidity and a variety of commitment periods, as well as the benefits of a Bermuda trust structure.

Northstar Financial Services (Bermuda) is currently in bankruptcy proceedings in both the Supreme Court of Bermuda and the United States while investors are claiming that their financial advisors misrepresented the investment as a safe, low risk product like a CD that had guaranteed monthly income with principal protection. Full-service brokerage firms besides Truist Investment Services that sold Northstar Financial Services (Bermuda) products include:

- Bancwest Investment Services
- Bankoh Investment Services
- Cetera Investment Services
- Community America Financial Solutions
- Hancock Whitney Investment Services
- J.P. Morgan Chase Co.
- Morgan Keegan Bank
- Ocean Financial Services
- Raymond James Financial Services
- Raymond James & Associates

- Unionbank Investment Services
- United Nations Federal Credit Union (UNFCU)

KlaymanToskes is investigating potential FINRA arbitration claims relating to Truist Investment Services' sales practices concerning Northstar Financial Services (Bermuda) products.

The firm wishes to contact former and current customers of Truist Investment Services who suffered losses exceeding $100,000 from Northstar investments, and who have information related to the handling of their investments.

Lincoln Financial promotes Darrel Tedrow, Jim Tierney

Lincoln Financial Group (NYSE: LNC) has named Darrel Tedrow as Senior Vice President, Mergers and Acquisitions and Jim Tierney as Senior Vice President, Strategy, both reporting to Chris Neczypor, who leads the Chief Strategy Office.

The Chief Strategy Office focuses on enterprise-wide long-term strategic planning, potential mergers and acquisitions and competitive intelligence.

Tedrow returns to the Chief Strategy Office after two years as the Director of Advancement at Worldlink International Ministries. He has spent more than 15 years at Lincoln Financial in the life insurance business and corporate finance organization.

Tierney will work across the organization to develop broad-based, innovative strategies to further enhance Lincoln's value for shareholders and complement the company's organic growth. He joins from Lincoln Financial's Information Technology organization. Tierney has more than 20 years of industry experience – 11 of them at Lincoln Financial. Tedrow and Tierney have both been named members of Lincoln Financial's Corporate Leadership Group.