

ChatGPT on Equitable, Solvency II and the Bermuda Triangle

By Editorial Staff Wed, Sep 3, 2025

Equitable's corporate journey since 2010 involved its separation from AXA of France. ChatGPT explains that Europe's 2016 "Solvency II" regulations accelerated the split.



One step of Equitable Holdings' evolution into a "Bermuda Triangle" life/annuity company was its 2018-2020 split from AXA, the French insurance giant. We knew the split followed a European regulatory initiative called "Solvency II." But we didn't know the details.

For answers about Solvency II, we turned to ChatGPT, the artificial intelligence engine with the pleasant (and sometimes ingratiating) user-interface. ChatGPT knew a lot about Solvency II. It also knew a lot about the widespread restructuring of the U.S. life/annuity industry after the financial crisis of 2008.

RIJ: Did AXA separate from Equitable because of Solvency II considerations?

ChatGPT: Yes — Solvency II was a major driver behind AXA's decision to spin off its U.S. subsidiary (Equitable). Here's the context:

Solvency II made U.S. businesses "capital expensive" for European parents

- Solvency II (which went live in 2016) required European insurers like AXA to hold capital based on *market-consistent valuation* of risks.
- Variable annuities (VA) with guarantees — Equitable's specialty — are extremely volatile under Solvency II capital models.
- That meant AXA had to hold a large capital buffer in Paris against U.S. VA guarantees, even though those guarantees were already capitalized under U.S. statutory rules.
- This "double capital hit" dragged down AXA's group solvency ratio and return on equity (ROE).

Strategic decision: refocus on protection, health, P&C

- Around 2015-2016, AXA's new strategic plan aimed to shift away from VA-heavy businesses and emphasize less volatile lines (P&C, health, protection).
- Equitable (U.S. life + VA book) didn't fit the future vision.

- By separating, AXA freed itself from the Solvency II drag while allowing Equitable to restructure under U.S. capital regimes more flexibly.

The 2018 IPO (AXA Equitable → Equitable Holdings)

- AXA listed part of AXA Equitable Holdings in 2018 and then gradually sold down its stake.
- Proceeds helped AXA finance its pivot — most notably the €12bn acquisition of XL Group, boosting AXA's global P&C/Commercial lines.
- By 2021, AXA had fully exited Equitable.

So yes: AXA's separation from Equitable was heavily influenced by Solvency II considerations, compounded by strategic repositioning. Equitable's VA-heavy risk profile was a capital headache in Paris — but could be managed more nimbly as a standalone U.S. company, free of Solvency II.

Would you like me to also sketch the mirror image of that story — i.e. why private equity-backed consolidators like Apollo/Athene *love* those same liabilities AXA wanted to offload?

RIJ: Please do.

ChatGPT: Great — here's the mirror image of AXA's Solvency II problem: why private equity-backed platforms *love* the same annuity liabilities AXA and other European parents couldn't stomach.

Different regulatory capital lens

- AXA (under Solvency II):
 - Has to mark annuity guarantees and long-dated liabilities to market.
 - Faces high volatility in required capital when interest rates or equity markets move.
 - That volatility drags on solvency ratio and restricts dividends.
- Athene / Global Atlantic / AEL (U.S. insurers backed by PE sponsors):
 - Operate under U.S. statutory rules (or Bermuda's "economic balance sheet").
 - Those regimes are less market-sensitive than Solvency II.
 - Capital requirements are lower, and they can use reinsurance and asset strategies to further optimize.

The same book of business that looks like a *Solvency II nightmare* can look like a *capital-efficient spread business* in the U.S. or Bermuda.

Asset strategy is the big differentiator

- AXA's general account is large and conservative, dominated by traditional bonds. Its investment flexibility was limited by group-level ALM and rating agency oversight.
- Private equity-backed insurers see annuity liabilities as "permanent capital":
 - Stable, long-duration liabilities that don't run off quickly.
 - Perfect funding source for private credit, structured products, infrastructure debt, direct lending.
 - These "alternative" assets generate higher spreads than public bonds.

Economics flip from drag to opportunity

- For AXA: U.S. annuities = volatility, heavy capital lockup, poor strategic fit.
- For Athene/Global Atlantic: annuities = scalable "asset-gathering machine" that fuels fee-rich private asset origination.

Think of it this way: AXA under Solvency II sees a VA block as a *liability risk to hedge*. Apollo/Athene under the Bermuda triangle model sees it as a *funding source for credit origination*.

The arbitrage

This is why you see a steady pipeline:

- Traditional insurers (AXA, Voya, Prudential, Aegon, etc.) shedding capital-intensive businesses.
- Private equity-linked insurers snapping them up, not for mortality/longevity arbitrage but for the asset-side leverage.

So the story is a *capital regime arbitrage*:

- What looks *unattractive* under Solvency II (high volatility, low ROE)
- Looks *golden* under U.S./Bermuda capital rules + PE asset model (stable, scalable funding).

Would you like me to also connect this back to Equitable's current strategy — i.e., how it kept its VA business but "de-risked" with RGA and Venerable, while leaning on AllianceBernstein to chase spread in a way that mimics the Bermuda PE model (without going full Athene)?

RIJ: Yes... what's different?

ChatGPT: Excellent — let's contrast Equitable today with the pure "Bermuda Triangle" model (Apollo/Athene, KKR/Global Atlantic, Brookfield/AEL, etc.).

The legacy VA exposure

- Equitable: Still has a big book of variable annuities (VA) with lifetime income guarantees — the same liabilities that made AXA itchy under Solvency II.
 - To manage: Equitable reinsured chunks to RGA and Venerable, releasing capital but keeping customer relationships.
 - It's pruning and hedging, not exiting.
- Athene/Global Atlantic: Don't want VA guarantees. They focus on spread-based annuities (fixed, FIA, RILA). Lower biometric/longevity volatility, easier to model.

Difference: Equitable still carries "legacy volatility," while the PE-backed platforms cherry-pick the spread-only liabilities.

Capital strategy

- Equitable: Operates as a standalone U.S. public company, subject to NAIC rules.
 - No Solvency II burden, but also not as "loose" as Bermuda.
 - Has created its own Bermuda reinsurer recently — a signal it's adopting some of the PE-style capital efficiency playbook.
- Athene & peers: Make Bermuda reinsurance the core chassis. Nearly all liabilities are ceded offshore, freeing capital to be redeployed into higher-yielding assets.

Difference: Equitable is hybrid — still very much a "traditional insurer," dabbling in Bermuda but not fully pivoting.

The asset engine

- Equitable: Relies on AllianceBernstein (AB) as its investment affiliate.
 - AB has built out private credit and alternatives in recent years (direct lending, CLOs, infrastructure, real estate debt).
 - Equitable can plug VA float and new RILA liabilities into AB's origination pipelines.
 - But AB is still more of a traditional asset manager than an Apollo or KKR.
- Athene/Global Atlantic: The PE sponsor itself is the asset machine. Apollo originates loans, aircraft leases, structured credit; Athene's liabilities are the "fuel."
 - Same for KKR (infrastructure, private credit) feeding Global Atlantic.

Difference: Equitable uses an arms-length affiliate (AB), whereas PE-backed insurers are vertically integrated — annuity liabilities are captive fuel for their deal flow.

Business mix & optics

- Equitable: Still sells life insurance, RILAs, variable annuities. Wants to be seen as a diversified financial services firm.
- PE-backed platforms: Laser-focused on annuity manufacturing + asset spread capture. Life insurance is marginal.

So the key difference:

Equitable is in transition — managing down legacy VA risk, selectively using Bermuda, leaning on AB for private asset yield.

But it's not all-in on the “asset-gathering machine” model. It still wears the clothes of a traditional U.S. insurer, whereas Athene/Global Atlantic are unapologetically financial engines wrapped in insurance charters.

Would you like me to sketch what might push Equitable further down the Athene path — i.e., the conditions under which it would stop being “hybrid” and become a full Bermuda Triangle-style platform?

RIJ: OK, but why did AEGON and Allianz stay linked to Transamerica and Allianz Life of North America?

ChatGPT: There's a *big distinction* between the Europeans who pulled the ripcord (AXA, ING, etc.) and those who stayed (Aegon with Transamerica, Allianz with Allianz Life of NA). Let's unpack:

Product mix: RILAs vs. FIAs vs. VAs

- Allianz Life of NA:
 - Historically FIA-heavy (one of the dominant players in indexed annuities).
 - FIA liabilities are *much easier to hedge and model* than VAs with GMxB (Guaranteed Minimum Income Benefit/Guaranteed Minimum Death Benefit) riders.
 - They still take market risk (via option budgets), but not the open-ended “death spiral” risk of VA guarantees.
 - RILAs are the natural evolution — controlled downside, capped upside, capital-light.
- Transamerica (Aegon US):
 - Mix of life, traditional annuities, and some VAs, but not as overexposed to the riskiest guarantees as AXA Equitable was.
 - Also, Transamerica had a sizable asset management arm (Aegon AM) to help manage spread business.

In contrast: AXA Equitable was VA-centric, with the largest in-force block of GMxB-rich contracts in the industry. Much harder to justify keeping under Solvency II.

Regulatory optics: Solvency II consolidation

- AXA had to consolidate Equitable's VA volatility back into group Solvency II capital. It crushed their solvency ratio, hence the separation.
- Aegon and Allianz are also under Solvency II, but:
 - Their U.S. units' liability structures (FIA, life, pensions) are less volatile in Solvency II terms.
 - They could *tolerate* the capital hit, whereas AXA could not.
- Plus, Allianz was already positioning as a global asset manager (PIMCO + AllianzGI) and wanted a steady annuity engine to feed assets into that.

Bermuda reinsurance — who uses it?

Allianz Life NA: Traditionally kept liabilities onshore, but in recent years they've dipped into Bermuda reinsurance selectively. Not central, but available.

Aegon has historically been more traditional, but in the last few years they've also reinsured blocks offshore to clean up capital.

Neither built Bermuda as a *core chassis* like Athene.

So yes — Allianz and Aegon stayed in part because they could live without a Bermuda arbitrage machine. They had product sets (FIAs/RILAs/life) that were less capital-toxic under Solvency II.

Strategic posture

- AXA's DNA: Big balance-sheet insurer, conservative French solvency culture. The VA guarantees didn't fit. Exit made sense.
- Allianz: Saw the U.S. FIA/RILA business as *strategic growth*, especially given U.S. demographics. Paired beautifully with PIMCO's asset pipeline.
- Aegon: U.S. has long been its crown jewel (Transamerica brand recognition, distribution). Hard to abandon, even if messy.

So, simplified answer: AXA bailed because Equitable was a VA-heavy time bomb under Solvency II.

Allianz and Aegon stuck with U.S. units because their liability books (FIA/RILA/life) were more capital-manageable and strategically useful, even without a full Bermuda arbitrage

play.

Patterns

- Exits (AXA, ING, Aviva, Prudential UK, Generali): All driven by VA guarantee exposure + Solvency II capital strain + desire to reallocate to core geographies/products.
- Stayers (Allianz, Aegon, Zurich): Had FIA/life/pensions focus (less volatile), and/or strategic reasons (brand, distribution, asset management synergies).

In short: whether they *stayed or left* depended largely on VA concentration and group capital optics under Solvency II.

The map after the shakeout

- Apollo/Athene: Biggest winner (Aviva USA, blocks from Voya, plus secondary deals).
- KKR/Global Atlantic: Scooped blocks from AXA, Unum, and others.
- Brookfield/AEL: Smaller but fast-rising, took business others shed.
- Venerable (Carlyle/Barings): Specialized in “runoff” VA blocks (e.g., Equitable’s reinsurance deal).
- Public markets: Jackson, Equitable, Voya floated off instead of selling to PE — but still adopted *capital-light and reinsurance-heavy* strategies to compete.

Takeaway

- If you had big VA guarantees, Solvency II made you sell/spin.
- If you had FIA/RILA or pensions, you could keep and integrate with asset management (Allianz, Aegon).
- Private equity scooped up the “orphans” and turned them into asset-funding machines.

RIJ: What’s your level of confidence in the story you’ve told here?

ChatGPT: I’d call my confidence high on the broad strokes and medium on some of the nuances. Here’s why:

- High confidence
 - AXA, Prudential plc, ING, Aviva, and Generali really did exit the U.S. life market over the last 10–15 years, and Solvency II capital strain + strategic refocusing were the main drivers.
 - Allianz Life and Transamerica did *stay*, and their business mix (FIA/RILA, pensions, less VA volatility) explains why.
 - The “winners” list — Apollo/Athene, KKR/Global Atlantic, Brookfield/AEL, Venerable — is exactly who built today’s Bermuda-style model off those disposals.

- Medium confidence
 - Assigning *precise weight* to Solvency II vs. other motives (e.g. ING's EU bailout, AXA's pivot to property & casualty, Prudential's Asia-first strategy) — these things overlap, and executives often couch them in broad terms.
 - Some of the smaller transactions (Generali U.S., Aviva's pieces) ended up split among reinsurers and niche players, so the "who picked up" column compresses a complex web.
 - The timing and role of Bermuda as a capital-arbitrage haven accelerated *after* many of these exits — so linking early disposals directly to "Bermuda arbitrage" is a slight retro-fit.

In short: The narrative is directionally right and captures the market forces well, but if you were publishing this as history you'd want to stress that *multiple factors converged*. Solvency II was a key accelerant, but not the sole cause.

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