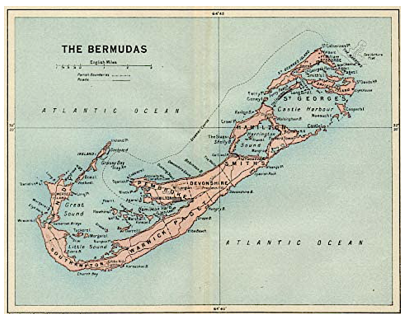


Fortitude Re's expansion continues

By Editorial Staff Thu, May 19, 2022

Fortitude Re bought Rx Life Insurance Company from Heritage Life. Now named 'Fortitude US Reinsurance Company,' and domiciled in Arizona, it will enable Bermuda-based Fortitude Re to offer clients a US domiciled reinsurance option, the company said.



Fortitude Re, the Bermuda-based reinsurer that was born when the Carlyle Group and other investors purchased AIG's reinsurance business in 2019, in January established a Bermuda multi-line reinsurer and acquired a US life insurer, according to an announcement that *RIJ* overlooked at the time.

Fortitude Re's subsidiary, Fortitude Reinsurance Company Ltd., Bermuda's largest multi-line reinsurer, obtained approval to operate as a Reciprocal Jurisdiction Reinsurer, the first such approval to be granted by the Texas Department of Insurance. "Fortitude Re can now offer the flexibility to transact through multiple entities and structures to help its clients achieve their objectives," a release said.

Fortitude Re also acquired two U.S.-domiciled third party administrators from American International Group, Inc. and acquired Prudential Annuities Life Assurance Corporation and its in-force legacy variable annuity block from Prudential Financial, Inc.

Fortitude Re and Prudential

Last September, Prudential Financial, Inc., and Fortitude Group Holdings, LLC announced that Prudential would sell a portion of its in-force legacy variable annuity block to Fortitude Re for a total transaction value of \$2.2 billion.

Under the agreement, Prudential sold one of its stand-alone legal entity subsidiaries, Prudential Annuities Life Assurance Corporation (PALAC), including PALAC's in-force annuity contracts, to Fortitude Re, for an all-cash purchase price of \$1.5 billion, subject to certain adjustments at closing, plus a capital release to Prudential and an expected tax benefit.

The PALAC block primarily consisted of non-New York traditional variable annuities with guaranteed living benefits that were issued prior to 2011, which constitute approximately

\$31 billion or 17% of Prudential's total in-force individual annuity account values as of June 30, 2021.

"PALAC complements Fortitude Re's market-leading capabilities in designing tailored solutions for leading insurers that enhance capital efficiency and address strategic priorities. Prudential will continue to service and administer all contracts in the PALAC block following the transaction to ensure a consistent experience for customers. Prudential does not expect there to be any direct impact to employee head count as a result of the transaction," a release said.

Since January 1, 2022, Fortitude International Reinsurance Ltd [FIRL] has operated as a Class 4 and Class E reinsurer, licensed by the Bermuda Monetary Authority. FIRL will complement Fortitude Re's other operating entities and focus on reinsurance solutions for insurers domiciled outside the US.

On January 3, 2022, Fortitude Re completed its acquisition of Rx Life Insurance Company (to be renamed Fortitude US Reinsurance Company) from Heritage Life Insurance Company. Fortitude Re US, which will serve as a US reinsurance platform for Fortitude Re, is an Arizona domiciled life and annuity insurer widely licensed in the US. This acquisition will enable Fortitude Re to offer clients a US domiciled reinsurance option.

Reciprocal jurisdiction reinsurer status

Effective January 1, 2022, the TDI granted FRL authority to operate as a Reciprocal Jurisdiction Reinsurer. FRL expects to seek similar status in other selected US jurisdictions in the near future.

FRL's Reciprocal Jurisdiction Reinsurer status allows US ceding companies to take full statutory credit for reinsurance ceded to FRL without any regulatory prescribed collateral requirements, effectively treating FRL for these purposes as a US domiciled reinsurer. FRL is among the first reinsurers to obtain such status in the US.

The transactions and regulatory approval represent an important step in the evolution and expansion of the capabilities Fortitude Re is able to offer to clients to solve their most complex challenges.

"With the establishment of FIRL, we expect to grow our international reinsurance business in Asia and the UK and European markets," said James Bracken, Fortitude Re CEO.

PALAC is in the process of changing its name to Fortitude Life Insurance & Annuity Company and Rx is in the process of changing its name to Fortitude US Reinsurance Company. Variable annuities are distributed by Prudential Annuities Distributors, Inc. , Shelton, CT.

Reinsurance transactions are entered into by PALAC, Rx, Fortitude Reinsurance Company Ltd ("FRL") and Fortitude International Reinsurance Ltd ("FIRL"). FRL and FIRL are both located in Hamilton, Bermuda. Fortitude Re is the marketing name for FGH Parent, LP and its subsidiaries, including PALAC, Rx, FRL and FIRL. Each subsidiary is responsible for its own financial and contractual obligations. These subsidiaries are not licensed to do business in New York.

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