Global Atlantic to reinsure Ameriprise annuities

By Editorial Staff *Thu, Jul 1, 2021*

Under the agreement, Ameriprise's subsidiaries will transfer $8 billion worth of annuity assets and liabilities to Global Atlantic's subsidiaries. Global Atlantic will pay Ameriprise $700 million for the contracts.

Global Atlantic, the U.S.-focused annuity, life insurance and reinsurance company that is controlled by the buyout firm KKR, has agreed to an $8.0 billion annuity reinsurance transaction between two of its insurance subsidiaries and two insurance subsidiaries of Ameriprise Financial.

The Global Atlantic subsidiaries are Commonwealth Annuity and Life and First Allmerica Financial Life. The Ameriprise subsidiaries are RiverSource Life and RiverSource Life. Global Atlantic and Ameriprise announced their first reinsurance transaction in 2019.

In recent years, publicly held US life/annuity companies have engaged in a number of such transactions, which transfer the risks and capital requirements of blocks of annuity contracts that they sold in the past to reinsurers. These reinsurers are typically owned or affiliated with powerful asset managers like KKR, Apollo, and Blackstone, for whom annuity assets serve as a steady, predictable source of investment capital.

Under the agreement, Ameriprise's subsidiaries will transfer $8 billion worth of annuity contracts—mainly fixed-rate deferred annuities and immediate income annuities, including the liabilities to contract owners and the assets backing those liabilities—to Global Atlantic's subsidiaries. Global Atlantic will pay Ameriprise $700 million for the contracts.

The assumption in this type of deal is that Global Atlantic's affiliated asset manager, primarily KKR, will use its skills in alternative asset investing, loan origination, and securitization to wring more yield from the assets backing the Ameriprise liabilities than Ameriprise could—without taking more investment risk than insurance regulators will allow.

RiverSource Life will retain account administration and servicing of the policies. "In addition, consistent with the company's enterprise risk management objectives, the transaction agreements contain a trust," the release said. Such a trust might contain additional collateral to support the guarantees implicit in the annuity contracts. The transaction with RiverSource Life is expected to close in July 2021. The transaction with RiverSource Life of New York includes the full block and will be subject to regulatory approval.

The transaction with Commonwealth Annuity, Global Atlantic's "flagship reinsurance entity," is expected to close in July 2021. The transaction with First Allmerica will be subject to regulatory approval.

The Ivy Co-Investment Vehicle LLC is also investing in this deal. In April 2020, Global Atlantic established Ivy to co-invest approximately $1 billion with Global Atlantic and its subsidiaries in "qualifying reinsurance opportunities" sourced by Global Atlantic's institutional reinsurance business, including reinsurance of life and annuity blocks and reinsurance of pension risk transfer (PRT) transactions.

"Since Global Atlantic's founding, we have reinsured approximately $60 billion of reserves spanning life & retirement blocks and PRT reinsurance," said Manu Sareen, CEO of Global Atlantic Re Limited, in the release. Half of that $60 billion has come since April 2020.

Reinsurance transactions are entered into by Global Atlantic Re Limited, Global Atlantic Assurance Limited, Commonwealth Annuity and Life Insurance Company or one of their affiliates. Reinsurance is placed, where required by applicable law, by Global Atlantic Risk Advisors, L.P., a licensed reinsurance intermediary and subsidiary of Global Atlantic Financial Group Limited.

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