

Life Insurers as LEGO Monsters

By Kerry Pechter Tue, Apr 2, 2024

Michael Gordon, CEO of Axonic Insurance, part of Axonic Capital, sees the future of the life/annuity/asset-management business as an increasingly a la carte affair, where the components of the business are like interchangeable Lego blocks and where platform providers help clients snap them together.



Imagine a life insurer made of *Lego* blocks. Or imagine, in the future, a larger-than-life life insurer as a *Lego King Kong*, striding through Manhattan and dwarfing the golden pyramid of the New York Life Building and the gray monolith of MetLife.

Michael Gordon, the CEO of [Axonic Insurance](#), a new project at Axonic Capital in Manhattan, has thought similar thoughts. He wants to mix-and-match insurance and investment functions in agile, novel, and efficient ways, and eventually to help other companies do the same.



Michael Gordon

“We’re decomposing the insurance industry into its parts,” Gordon told *RIJ* in a recent interview. We want to make *Lego* sets, and put pieces together.”

That the life insurance business became the annuity business, that insurance has long since

become an investment business, and that former buyout firms have invaded the annuity business—these are well-known facts by now.

The exact nature of tomorrow's life/annuity business model, we don't know yet. But we're finding out.

Axonic Capital, manager of \$4.3 billion in assets, introduced Axonic Insurance earlier this year. The unit has been managing chunks of life insurer general account assets, but has higher ambitions. It hopes to become a one-stop shop (or *platform*) for an a-la-carte, or plug-and-play, or just-in-time insurance/investment business.

Eventually, Gordon hopes to accumulate and sell industry data and market intelligence to fixed annuity product designers, underwriters and distributors.

"Our primary focus is to design products and collect data about the way pricing decisions are made. To create new products today, it usually takes a year and a seven-figure commitment. It typically takes six or nine months to a year just to modify a product. We can remove time and expense from that process, so that you can spend more time on managing the assets and liabilities," he told *RIJ* recently.

"We're saying, 'Here are all these skills you need to launch an annuity and life insurance business. You can either create the whole thing yourself. Or, if you have only one piece of the puzzle, we can provide the rest. Sometimes they understand investment management, but not liability pricing. Or they understand the math but don't have the technology platform. In each case, we'll be the investment manager for certain assets,'" he added.

"The concept is to create a common platform where carriers can go through our wizard, and within certain parameters, experiment with different spreads and crediting rates. Carriers would be able to get feedback on how risky their annuity product designs might be and how they might sell before putting them in the market," Gordon said. "We look at product experience as *empirical experiments*... and use the results for faster, real-time decision-making."

Gordon spent 11 years at New York Life, the largest mutual. So it's not surprising to hear him say, "We're working on concepts similar to what you'd see in a mutual insurance company. Mutual companies can make products that I consider very resilient. Rather than take [more investment risk], a mutual lets its investment experience emerge. Then it shares its experience with its clients. If we get our pricing right, we can provide the insurance coverage at cost and give back to the policyholder in the form of dividends or longer rate

guarantees.”

Axonic is entering a field pioneered by Scottsdale-based Annexus, which designs fixed indexed annuities in collaboration with annuity issuers and wholesalers. Acquired by Integrity Marketing Group in 2022, Annexus is partnering with Athene, Nationwide, State Street Global Advisors, Transamerica and Global Trust on a fixed indexed annuity with a guaranteed lifetime withdrawal benefit for 401(k) plans. [See [story](#) in today’s *RIJ*.]

“We do some of the same things that Annexus does,” Gordon acknowledges. “We focus on deciding what products will best fit certain distributors. The main difference between us and Annexus is that we do more of the administration. We’re very new, of course, and they’ve already had a lot of success.

“We’re not trying to do everything ourselves. We hired Prudential to do investment grade fixed income, Blackrock for municipal bonds. We use reinsurance for risks we don’t like. In the longer term, if you disaggregate the pieces, the individual could create their own bundle.”

Of course, there’s an international aspect to Axonic Insurance. “Our focus in the beginning is on launching the offshore annuity business, which means international sales of FIAs and MYGAs. International annuities are a big market, [there’s a lot of interested in] dollar denominated assets,” Gordon said.

“Then we’ll go domestic. Our software will come to market in the second quarter of 2024. By then we’ll be working with other institutions—existing life insurers or folks who want to be involved in this but aren’t yet. We bring all the pieces together and help them in deploying their particular product. We work with them on making the right decisions.”

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